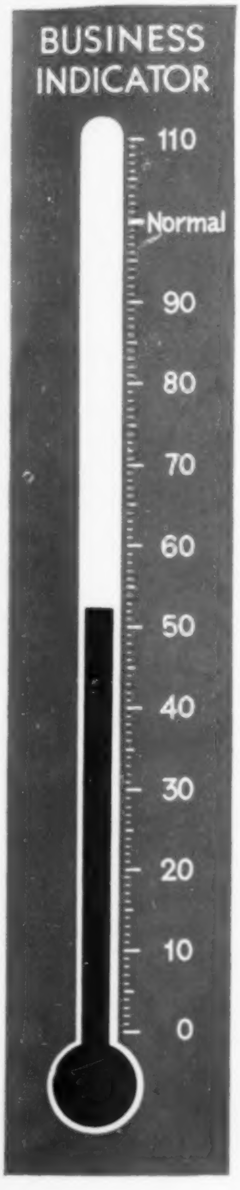
THE BUSINESS WEEK

DEC 28, 1932



The usual year-end tendencies toward contraction of industrial activity are in evidence as 1932 draws to a close; but there is no special significance to be attached to them as indications of what lies in store for business in the first part of 1933. . . . In fact, in some respects the December record has so far been more favorable than in the preceding two years, showing a continuation of the stability which has been the most striking and reassuring feature of the last half of the year. . . . An unsentimental review of the past year's record and appraisal of the outlook for the new year (see p. 1) justifies the feeling that the forces of depression were definitely checked during the past six months, but that the process of business readjustment to present price levels will probably continue into 1933, unless powerful monetary and credit factors dependent primarily upon political action intervene to postpone the process or make it unnecessary. . . . It seems clear that decision on this crucial question will be in the cards for the coming year, but no one can say what the political players reflecting the complex forces of public opinion will decide. . . . At the moment the chief factors in the increasing hesitancy of business are the complete lack of information regarding the policies and program of the new Administration and the prospect of at least four months of delay in federal action on important issues due to a short session of Congress which promises to be fruitless.

20 CENTS McGRAW-HILL PUBLISHING CO., INC.

Ten facts you want to know about New York's state-wide banking group

1 *How many banks are in the Marine Midland Group?*

ANSWER: 22 banks extending from the Marine Midland Trust Company of New York City on the East, to the Marine Trust Company of Buffalo on the West; and from the Marine Midland Trust Company of Binghamton on the South, to the First and Second National Bank and Trust Company of Oswego on the North.

2 *Who owns these 22 banks?*

ANSWER: The Marine Midland Corporation owns more than 98% of the stock of these twenty-two banks.

3 *Who owns the Marine Midland Corporation?*

ANSWER: Over 23,000 stockholders, of whom more than 80% reside in New York State.

4 *To what extent do these banks operate as a Group?*

ANSWER: Co-ordinated operation of all departments of these banks is effected through the Marine Midland Group, Inc., a service corporation, which in turn is owned by the banks.

5 *Are these banks new?*

ANSWER: No. The average age is over 50 years.

6 *How long has New York had a state-wide group of banks?*

ANSWER: Over 3 years.

7 *What are the total resources of the Group?*

ANSWER: Over $450,000,000.

8 *What has been the record of the Group?*

ANSWER: In each community, each bank has won recognition for its soundness and service. Nationally, the Group has won recognition as one of the stabilizing factors in the banking structure of New York State.

9 *How many depositors do these banks serve?*

ANSWER: Over 350,000.

10 *Does the Marine Midland Corporation have any other interests?*

ANSWER: No. This corporation has no other investments and conducts no other business.

MARINE MIDLAND

STATE OF NEW YORK

BANKS

THE BUSINESS WEEK (with which is combined The Magazine of Business) December 28, 1932, No. 173, Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary, $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

THE BUSINESS WEEK

DECEMBER 28, 1932

1933

The general level of business activity, security and commodity prices has shown almost no further decline for 6 months; but prospects for 1933 depend upon the speed of industrial and financial readjustment to present price levels or the possibility of raising them by monetary and credit measures.

THE outstanding fact about the course of business and security markets in 1932 was the striking stability which developed during the last half of the year. This is the first time since the depression began that the general business indicators and security and commodity prices have been steady for so long a period.

The level of business activity and of prices had declined almost without interruption since the middle of 1930. Although we have several times mistaken temporary pauses in the swift and steady descent for bottom levels of the depression, the behavior of the business indexes and security and commodity price averages since the middle of 1932 suggests that a fairly firm resistance level has finally been found.

There isn't much use in rehashing the course of events during the first half of the year. Almost everything was on the toboggan, sped by the deadly spiral of deflation set working in the acute contagion of fear and the financial crisis which had developed out of the financial collapse of central Europe and suspension of gold payments by Great Britain during the last half of 1931. The outstanding accomplishment of 1932 was unquestionably the conquest of this financial crisis during the first half of the year, chiefly as the result of enactment of the Glass-Steagall Act, establishment of the Reconstruction Finance Corporation, and aggressive large-scale open-market operations of the Federal Reserve Banks.

By the beginning of July it was clear that the crisis had been overcome. The rapid outflow of gold due to foreign fears about the unbalanced federal budget, the stability of our banking system, and the gold standard, was checked and finally reversed so that we have ended the year with gold stocks slightly larger than those at the beginning. The number of bank suspensions began to decline in June and at the beginning of July the amount of currency in circulation started to fall, indicating a gradual restoration of public confidence in the banks and reduction of hoarding.

The effectiveness of efforts to stabilize the banking situation was reflected first in the loans and investments, deposits and reserves of the larger member banks in New York City, which stopped declining in March. Among the member banks outside New York City, the effect began to show 2 months later, in stability of loans and investments and deposits. The reserves of the member banks have steadily risen since, as a result of the return of currency from hoarding, new issues of national bank notes, and rapid inflow of gold, and the member banks will end the year with the largest amount of excess reserves on record, somewhat over $500 millions.

The reflection of all this business activity and the security and commodity markets has been encouraging and quite according to schedule. As soon as it was apparent that the acute financial strain was passing, pressure was lifted from commodity markets and seasonal as well as speculative influences began to play their part. Commodity prices

Acme

UNANSWERED QUESTION—Bonus marchers, still with us, present a petition. Speaker Garner, vice-president to be, listens guardedly to Harold Hickerson. At his left, another vice-presidential candidate, James W. Ford, Communist party.

started to rise around the beginning of June along with bond prices. The stock market began to feel the stimulation about a month later, chiefly as a result of the stimulus of the Lausanne reparations settlement. Thereafter there was steady progress in commodity and security markets, with rapidly improving sentiment up to the beginning of October when the unsettling influence of the election campaign began to appear.

Securities Hold Ground

In spite of the relapse of bond and stock prices from the year's high levels reached in September, half of the gains from the depression lows have been held in the case of stocks and more than half in the case of bonds. Most striking has been the stability of stock prices during the last quarter of the year in face of discouraging corporation earnings reports, disturbing international debt discussions, and political uncertainties growing out of the election.

The course of commodity prices has been in some respects more disappointing. After a rapid and steady rise from the end of May to the middle of September, the average level of commodity prices has declined to a point slightly below the depression lows reached at the beginning of June. The encouraging thing is that at this point there seems to be a strong resistance to any further drastic decline. By comparison with the steady fall since 1929 there has been little net change in the commodity price level since the middle of 1932 and it looks as though some sort of bottom has been established.

Now, as to Business—

The business record since the middle of the year has both reflected and influenced these features of the financial situation. The rate of decline in the general level of business activity was sharp from October, 1931, up to April, 1932. During the spring months the decline was more gradual and after July the business curve flattened out. In other words, the changes since the middle of the year have been almost wholly seasonal and the cyclical force of the depression seems to have disappeared from the picture.

In industrial production and manufacturing employment the improvement during the late summer and fall was considerably more than seasonal. There was also a striking increase in coal production during the last half of the year and a gradual improvement in building contracts; but this progress seems to have been offset by a relative decline in general trade so that the net change in the level of business activity as a whole over the past 6 months has been slight.

As the year closes the level of industrial production and construction seems to be fairly well maintained, but there has been a disappointing decline in the trade indicators, particularly in department store business, reflecting depletion of consumer purchasing power. In addition to this fact and the weakness of commodity prices the tendency toward the resumption of contraction of bank credit since the middle of November, particularly in commercial loans of member banks outside New York City, is disturbing.

There is no special apparent reason why the level of business activity and security and commodity prices should show much further decline, and it is reasonable to assume that there will be some of the usual seasonal improvement next spring. But it has become perfectly plain by now that business cannot continue for any long time at the current level of volume and prices without undergoing radical and far-reaching readjustments of costs and fixed charges, involving in many cases re-organization of the capital structure. The only possible escape from this could come through currency or credit measures which brought about a rapid and steady rise in commodity and security price levels.

Compromise—as Usual

Probably the adjustment of the business structure will come partly in one way and partly in the other. Many concerns have already put themselves into a position to operate profitably or without loss on the current basis of volume and price. As the number of these increases the area of profitable operation spreads and the process of business recovery can begin.

But readjustment to a permanently lower price level, fully 50% below that at which most existing fixed charges were incurred, is inevitably a long-drawn-out process involving serious difficulties. Although the prospect of escaping part of these difficulties through monetary or credit policies which will raise price levels is not promising at the moment, the pressure toward such relief may become irresistible. This aspect of the situation, however, depends altogether upon political and social forces which are unpredictable at the moment.

The most that can now be said about the outlook for 1933 is that it may be a year of further stabilization of business activity, banking conditions, security and commodity markets around current levels, but certainly a year of business readjustment and re-organization.

CAPITOL COSTS—Chairman Cochran of the House Expenditures Committee testifies on savings under the Hoover reorganization plan before the Ways and Means Committee.

"Buy American"

Movement to favor domestic manufactured goods gains some momentum, but there are thoughtful skeptics.

WITH an impressive roll call of indorsers, the "Buy American" association, the Citizens Association for America First, and other groups are making headway in their job of stirring up public sentiment, and are getting editorial support—notably that of the *Saturday Evening Post.*

The argument is that European nations have their "Buy British" and parallel movements, while at the same time, aided by depreciated currencies, they are sending in a flood of goods which undersell American merchandise to the detriment of our own workmen.

"Hundreds of millions of dollars made here belong here and should be spent here, for every American dollar spent in America makes possible the retention and reemployment of American wage earners," runs a typical plea.

The refrain is beginning to be echoed in editorials, advertisements, speeches.

It is interesting to note, however, that a radio poll, conducted after a debate over the air between a "Buy American" enthusiast and a foreign trade proponent, resulted in a popular vote against "Buy American."

Thoughtful economists are shying

away from discussion of the issue. On both sides are huge American investments to be considered. Certain industries feel heavily the impact of imported goods. However, if exports are to be further reduced, where shall the exchange come from with which European nations now buy American goods?

It has been roughly estimated that at least 4 millions of Americans make their livelihood from exports. This figure includes half the cotton growers of the South, because half the cotton crop is exported, a large proportion of the tobacco growers and the wheat farmers, some 10% of industrial workers, and an army of railroad men who haul the goods to seaports. There is another army of clerks in transportation, banking, insurance, export houses, besides the entire merchant marine.

It is easily demonstrable that every dollar spent for imported goods returns to be spent here for goods or raw materials. As a matter of fact, we have a favorable balance, Europeans buying more from us than we from them.

There is no denying, however, the ravages depreciated currencies are causing. The pointed suggestion is made that this situation had better be cured by a law regulating tariff duties on the basis of exchange than by any attempted boycott of imports. Assuming tariffs were right when adopted, remedying the discrepancies in exchange would restore the status quo.

But economists take the pragmatic view that with the consumer's pocketbook flat, he is going to buy cheap, rather than buy American, disregarding propaganda.

Ohio Battles

Pittsburgh Coal, driving rail-laying gangs under searchlights, and U. S. Steel, less picturesquely, turn on their old customers, the railroads, demanding lower rates.

OHIO has become a battlefield with the railroads lined up on one side and big shippers on the other. The battle is interesting enough in its own right, but it is even more significant if it is to be regarded as the outbreak of a war which may spread over the whole United States.

For the first time in decades, the coal industry and the steel industry are fighting the roads. That is sensational news. Railroads buy lots of coal and steel; the time-honored policy has been to remember this and tread softly.

But now Pittsburgh Coal, perhaps the greatest of all coal producers, and United States Steel, certainly greatest of all steel producers, are trying to break through the railroad rate fence which has penned them in the Pittsburgh district.

Searchlight Melodrama

Pittsburgh Coal is putting a little melodrama into the picture by laying rails at night under searchlights, trying to complete a 13-mile railroad before other railroads shall block it in the courts. If successfully completed, the coal company will be able to ship its output over its own rails from mine to river (it owns the Montour Railroad), thence by barge to its little new line, which will connect with the Erie. The coal company thus would reach 4 trunk lines, instead of 2 as now, and would be able to offer coal cheaper in Youngstown, and in other important Ohio territories.

The Pennsylvania railroad naturally enough has been fighting this. The Montour bought an old electric line and began to convert it for steam. But at one point, there was not room for rails and highway. So the Montour bargained with the county authorities to build a new highway if the county would abandon the old one, and also an old highway bridge. The Pennsylvania grabbed this as a convenient handle, and sought an injunction to restrain the county from abandoning the highway. The county court refused the injunction. The Pennsylvania has turned to federal courts. Meanwhile the Montour, battling bad weather and short December days, is working by searchlight, trying to get the road finished before any court can get around to hearing the case.

The steel company's move is less picturesque, but just as important. John Coakley, traffic manager for U. S. Steel subsidiaries in Pittsburgh, wrote a letter to all railroads concerned suggesting a drastic downward revision of rates on finished steel products from Pittsburgh to Detroit—from 28 cents to 20—and on rates from Youngstown to Detroit from 25 cents to 15. He invited them to a meeting to talk it over. The object, of course, is to try to regain the Detroit market, largely lost to steel mills which have established themselves right in the automobile producing area itself.

What a Change!

Railroad men are wondering whether all this is the beginning of a war. They are a little dazed at the turn of affairs. The coal man's attitude in the past has been that he didn't care a rap what rates were, so long as he was not put at a disadvantage with other coal producers. Least of all was he going to antagonize the biggest single buyer of coal. But competitive fuels and the reduced purchasing power of his customers have changed all that. The coal man is coming rapidly to the conviction that not merely comparative rate positions are important; the absolute level of rates also is important. It is a commonplace that on a great deal of coal, freight rates are many times the price of the coal itself at the mine. How much this has done to give oil and gas a chance is what the coal man now is ruing.

The Business Week

SMALLER CARLOADS—Resembling the European "goods van," this 10-ton refrigerator car, built by North American Car Corp., provides for the small loads of perishables which now go to the trucks because they can't be handled economically in full-size cars. Full safety equipment is carried.

Highway Defense

Organized by the automobile makers, the automobile users are meeting the railroads' solid front with a solid front of their own—and with negotiations on the side.

When B. E. Hutchinson, hard-hitting treasurer of the Chrysler Corp., addressed last week the Princeton University School of Engineering (under the Cyrus Fogg Brackett lecturership) on "The Automobile's Challenge to America's Transportation Policy," he wasn't using a figure of speech.

For Pyke Johnson, the National Automobile Chamber's analytical vice-president, can now add to his famous "five fallacies that face those interested in getting at the facts of modern day transportation" a sixth: "That the motor interests are just a mob of uncoordinated manufacturers, truckmen, busmen, shippers and miscellaneous gasoline users when it comes to challenging or meeting a challenge."

In fact, he might have added this one when he first sprang the list on the delighted National Petroleum Association last fall. For the National Highway Users Conference was already forming a flying wedge behind the impressive presence of General Motors' Alfred P. Sloan, Jr.

Assembled June 28 to unite some 50 organizations of highway transport operators, users and suppliers against the threat of increased taxation signalled by the new federal excise imposts, this group has become for the moment the highways' most potent defense against the railways. Whatever its disclaimers, that will be its status in the public eye as soon as the public catches the drama of the quiet work that is going on down in the National Press Club in Washington under the generalship of Director Roy F. Britton. Consider the scenario.

Purposeful Railroads

The railroads have made no disclaimers of their intention of putting shackles on their highway competitors. There has been no question about the organization and unity of purpose with which they have set about this. Even their weakness has been an asset, arming them with the not unselfish sympathy of an army of worried security-holders, bringing to their defense the shining buckler of the National Transportation ("Coolidge") Committee. And it has sometimes looked as though the highway—and waterway—and airway—competitors were breaking themselves against that shield to little purpose.

It is now becoming clear—even to rank outsiders—that this impression is erroneous so far as the highway competitors are concerned. They have a buckler of their own, welded together by such organizations as the American Automobile Association, the American Petroleum Institute, the National Industrial Traffic League, the National Retailers Council, the National Chain Stores Association, the Rubber Manufacturers Association, the National Grange, the International Association of Milk Dealers, the American Bakers Association, the Farmers Union, others equally impressive, and the big automobile manufacturing companies.

The inclusion of these last in the National Highway Users Conference is particularly significant. It is no accident that Alfred P. Sloan of General Motors is chairman of the conference with Ernest N. Smith, executive vice-president of the American Automobile Association, as his vice-chairman. It's the powerful and highly competent American automobile industry organizing its customers to turn the tables on its challengers and do some challenging of its own.

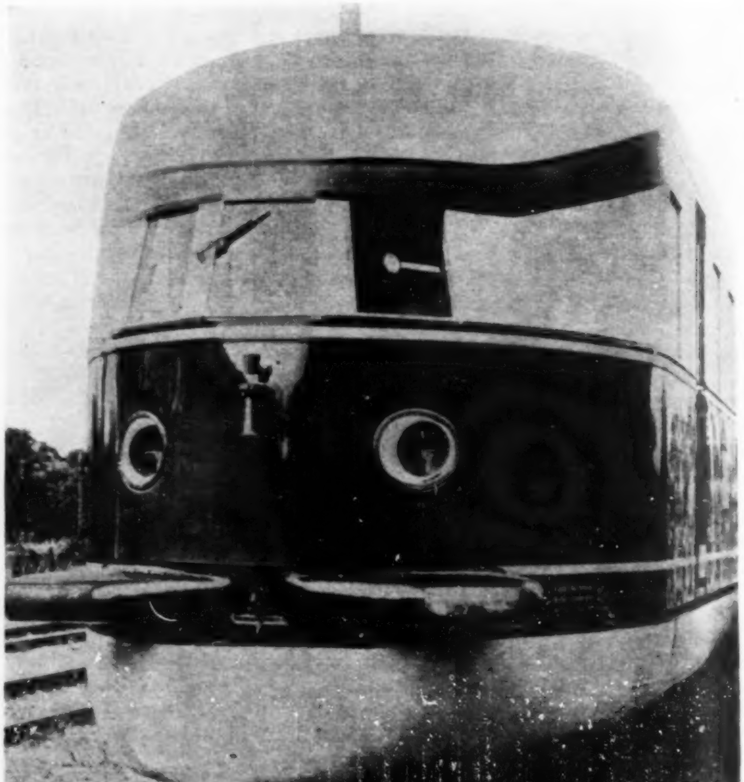
Mr. Hutchinson's exhortation to the young mathematicians of Princeton, though not under H.U.C. auspices, furnishes a fair sample of what "challenging" can mean. Mr. Hutchinson was addressing himself to the railroads. Four paragraphs suffice to set the key:

"The American public spends $3.50 on automobile transportation to every $1 on steam railway transportation.

The Freight Race

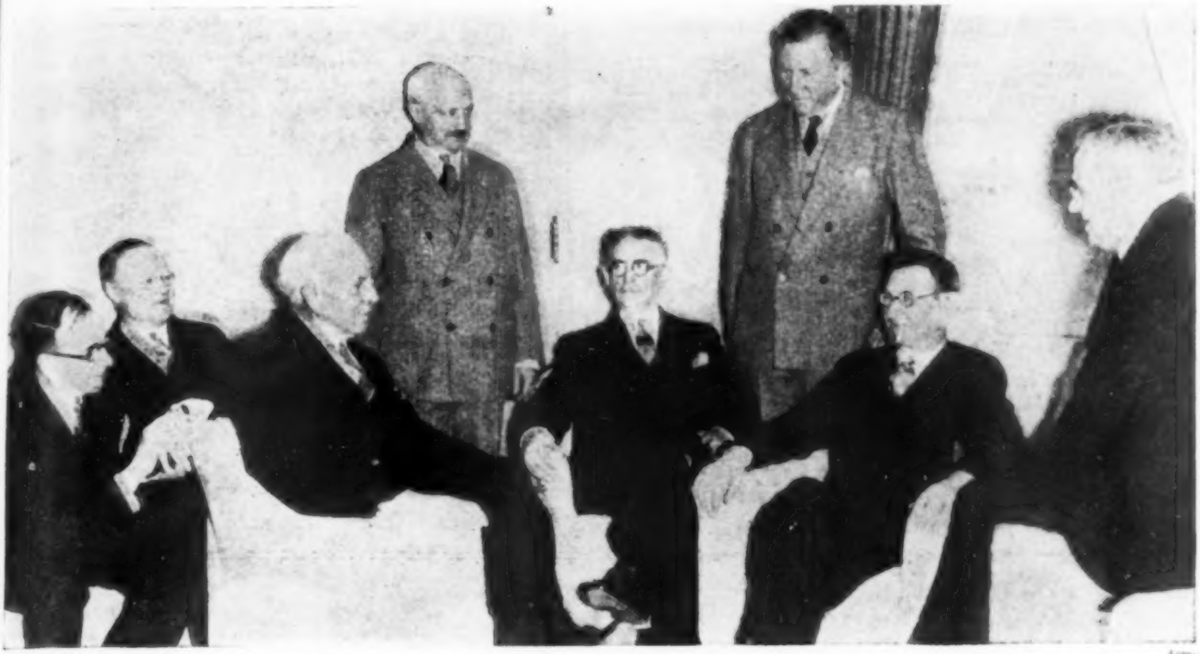
"Truck transportation service in 1932 will aggregate approximately $2,700 millions, or slightly more than the estimated freight revenue of Class I railways of $2,500 millions.

"The remedy [for present transportation difficulties] does not lie in a system of burdensome taxation and purely restrictive limitation . . . which can only have the effect of making it difficult and expensive for the public to use a transportation agency more adapted in certain respects to modern



Wide World

AUTOTRAIN—The Reichsbahn's new rail-car has a German look. On its trial trip, it covered the 178 miles between Berlin and Hamburg in 2 hours, 21 minutes, some 33 minutes faster than anything on rails. Average speed was 75 miles an hour; maximum, 96. It seats 102 passengers, has a baggage compartment and a refreshment room. Everything is streamlined, even the wheels being covered by a shield and the door handles recessed.



Acme

THE SMOKE-FILLED ROOM—Where the railroads and their workers are fighting the battle of wages. Left to right, for the railroads, C. D. Mackay, Southern Railway; H. A. Enochs, Pennsylvania; J. T. Gillick, Milwaukee Road; C. W. Galloway, Baltimore & Ohio; P. R. Albright, Atlantic Coast; W. J. Jenks, Norfolk & Western; W. F. Thiehoff, Burlington; J. G. Walder, New York Central.

requirements than the agency it has heretofore used and must continue to use for a substantial part of its needs.

"It is now time to challenge the soundness of the traditional theory . . . that government regulation, per se, is the panacea for whatever transportation ills there may be."

Unkindest Cut

Perhaps his unkindest cut came in another challenge—of the theory that railway investments by insurance companies should be protected at all costs to avert calamity. The percentage of railway bonds to the total reserves of life insurance companies, said Mr. Hutchinson, has decreased from 36% in 1906 to 16% today—"and even if all the railway bonds in the country defaulted the average policyholder would lose only $48." Which checks with data on the investments of 52 legal reserve life insurance companies presented to the recent annual convention of the Association of Life Insurance Presidents. These showed that rail securities will represent 14.3% of total investments as of Dec. 31, 1932, a shrinkage from 16.3% in '29, from 19.3% in '25.

Meanwhile, however, careful watchers are noting that the highway defenders know how to use a strategy more subtle than the attack. There is the Joint Rail-Highway Committee. This body has not attracted much attention except from certain irate railway men who have raised objections to the unofficial cooperation of prominent members of the American Railway Association with a quiet subsidiary group of Mr. Sloan's organization, 6 on a side. But the highway interests of the 6 railroad men are significant. Except for George B. Elliott, president of Atlantic Coast Line, all have bus or truck line subsidiaries or connections. Note: General Atterbury, Pennsylvania—and Pennsylvania Greyhound Lines; L. W. Baldwin, Missouri-Pacific—and Missouri-Pacific Transportation Co.; Ralph Budd, Burlington—and Burlington Transportation Co.; J. J. Pelley, New Haven—and New England Transportation Co., among others; Paul Shoup, Southern Pacific—and Pacific Motor Transport Co., also Pacific Greyhound Lines, also Southland Greyhound. This is the highway wing of the railways.

Compromise Party?

Little information has been released concerning the negotiations which these men are conducting with the Highway Users delegation headed by Alfred H. Swayne, vice-president of General Motors, and Arthur M. Hill, president of Atlantic Greyhound Lines, also president of the National Association of Motor Bus Operators. Interested parties on both sides are listening in and it is hinted that the committee has the ear of the Coolidge Committee.

Thus, on the public stage the rail-highway situation is thick with challenges and alarums. Behind the scenes there are sounds like someone looking for a *modus vivendi.* And if the search is successful, the success may be largely credited to the National Highway Users Conference.

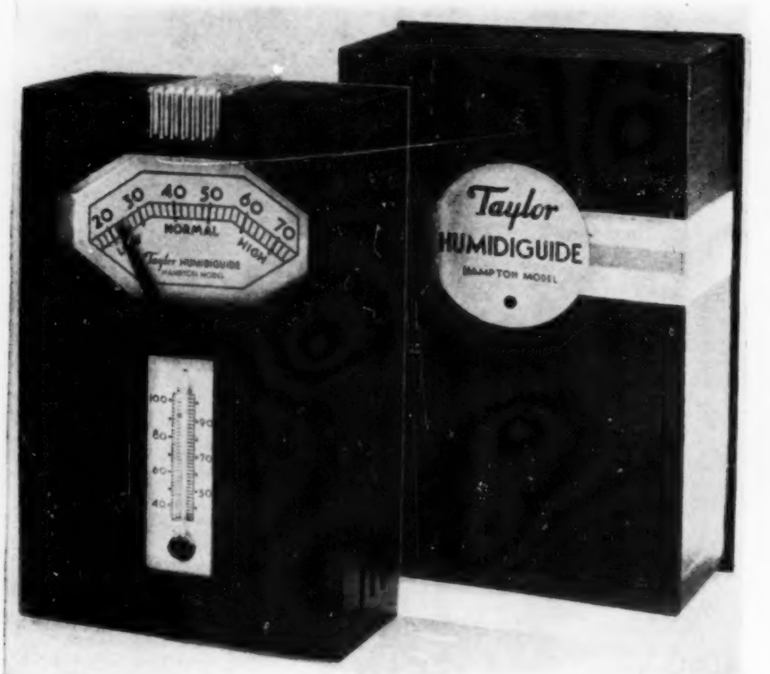
E. L. Cord

American Airways acquires Trans-American, becomes biggest air transport system, and shows symptoms of aggressiveness.

E. L. Cord recently acquired control of Trans-American Airways, with valuable connections out of Detroit to American Airways lines east and west, and he announced that he would offer the line to Aviation Corp., holder of American Airways, at cost. The deal has just gone through, and aviation men took due notice that American Airways is probably now the greatest air transport system in the world—flying some 33,000 scheduled miles daily. The margin of supremacy, however, is narrow, for late figures showed United Air Lines flying 29,000.

The point is not of overwhelming importance; much more significant is the fact that Mr. Cord has taken active control of American Airways, which up to the present time has been mostly a corporate fiction, operation of the lines being conducted from the offices of Aviation Corp.

Now, apparently, the shoe is on the other foot; American Airways will be the aggressive and live center of affairs; Aviation Corp. will tend to its knitting as a mere holding company, watching its investments. In earnest of this, a new boss has been put on the lines—Lester D. Seymour, who from its founding and for 6 years was general manager of National Air Transport.



The Business Week

WET OR DRY?—Humidity used to be something to talk about in hot weather, now it's something to watch all the time. The Taylor Instrument Co. took advantage of current interest in air-conditioning, had Walter Dorwin Teague design a new instrument for the home market.

Air Conditioning

Frigidaire enters the railroad market with a lightweight unit to be installed by the railroad shops.

ANNOUNCEMENT of General Motors' entry into the railroad air-conditioning field was made last week, but the decision to expand in this direction was made over a year ago.

All last summer, Frigidaire-equipped cars were rolling in a country-wide proving ground, testing machinery and ideas under actual hot weather service conditions.

Diner No. 7956, for instance, was detached from its Washington–New York run on the Pennsylvania and air-conditioning equipment installed. Then it went back on the run with an observer in its crew, turned off 27,000 miles without a service call.

Now a working sample, it rests in the Frigidaire laboratories in Dayton, in a room which can reproduce Florida heat and humidity at the turn of a switch for visiting railroaders.

Installation Easy

The system which resulted from this work by the Frigidaire engineering division in Dayton and the General Motors' research laboratories in Detroit is designed to go into existing rolling stock without major alterations. Installation is planned to be made by the regular equipment maintenance employees in the railroad shops.

Flexibility of the unit permits its use as a duct or a ductless system, in all types of cars from coaches to compartment sleepers. Compressor, condenser, motor, and battery are housed together in a single unit slung under the car floor. Thus vestibules and revenue-producing space are not used. Cooling units are in the ceiling.

Porter Can Run It

Temperature and humidity are controlled closely; provision is made for humidifying the air in winter. Operation is so simple the porter can give the little human supervision that is necessary.

Many railroad men see air-conditioned trains as an important factor in the restoration of passenger traffic, first, in the extra-fare and limited class, eventually in the day coach. They believe that the railroads' biggest selling point in competition with the bus, the private automobile, and the airplane, is comfort.

Frigidaire's great appeal to this potential market is the light weight of its unit, and the ease of installation by the roads themselves.

Rattletrap Hunt

Two more states join the movement to exterminate the unsafe old car.

HIGHER registration and insurance costs killed the $5 flivver beloved of youthful Frames and DePalmas. Hard times and haywire, however, have kept on the road many a wheezing tin hussy whose rusted skirts, worn shoes, and wobbling gait cause her simonized sister to pass hurriedly.

Brakes may have lost their grip, steering may be jittery, but as long as the motor coughs and the wheels turn another menace is ready to roll. It takes a cracked motor block—or a law—to keep such off the streets.

Compulsory Inspection

Massachusetts has had a law for some years. Ever since compulsory insurance went into effect, all cars have been inspected at regular intervals. When brakes, steering, light, and so on are found OK, an official sticker is fixed to the rear window. Even new cars must carry it, and second-hand cars cannot be resold without a checkover.

No Massachusetts motorist knows when he will be stopped by a vehicle inspector, so it behooves him to keep his brakes and lights in order. A blind headlight or a slipping brake brings a ticket which can be lifted only at the nearest official service station.

Connecticut, ever zealous in the matter of motor vehicle control, has embarked on a campaign to rid the roads of unsafe cars. Fairfield County police chiefs, cooperating with Commissioner Stoeckel, have undertaken to inspect every car on the Boston Post Road, famous for fast, heavy traffic.

If brakes or other vital parts are defective, license plates will be removed on the spot and the cars towed to a garage for repairs.

Pennsylvania's Law

Pennsylvania has a law, too. Effective with 1933 registrations now being made, used cars must be approved by an official inspection station before new plates will be issued.

Other states are tightening up on their moral suasion. In New York, for instance, it goes very hard on the driver of a car with bad brakes or steering gear if he is so careless as to get involved in an accident.

State motor vehicle commissioners generally, dealing with accident statistics, are conscious of the unfortunate importance of the automobile which has outlived its safety if not its usefulness. Motorists are against the rambling wrecks; motor makers would like to destroy them; garagemen scent profits in inspection and repair. It looks as though the ancient ones would have to spruce up or crack up.

Motor War Starts

Chevrolet's entrance turns the Plymouth parade ground into a battlefield. Chrysler answers with a price cut.

THE great automobile war of 1933 has begun. Armies in the field now number but 2 but there is stricter censorship in the Ford country, always a sign of something doing, and the battle will be 3-cornered just as soon as models can be made. On the fringe of the big fight, guerrilla bands maneuver to get whatever is left of the small car market.

Opening gun was introduction of the new Chevrolet at prices but slightly higher for the fancier models, substantially lower for the heavy selling family cars which make up the bulk of production.

Up to this moment, Plymouth had been parading alone. Chevrolet's arrival started competition in earnest. Both are 6's, both were closely priced; both have special individual selling points. Plymouth reaction was immediate. As Chevrolet dealers pushed new cars into their show windows, Plymouth dealers pasted up price cut announcements, timed nicely to do the most good.

Chrysler, conscious of $9 millions of new and flexible production equipment, chopped prices as much as $30, which puts the 4-door sedan at $545, $20 under the corresponding Chevrolet at $565.

The Campaigns Start

Both have touched off a blast of advertising calculated to make prospects keenly old-car-conscious. Chrysler says again, "Look at all 3." Chevrolet answers, "The leader can accomplish what others dare not try!"

Chevrolet claims leadership on the basis of being the world's largest builder of cars for 4 of the last 6 years. Ford replies that, "since the Model T was discontinued (in 1927, 6 years ago) Ford passenger car sales have led those of all other makes."

The year-to-year record of registrations follows:

	Ford	*Chevrolet*	*Total of All Makes*
1927...	393,424	647,810	2,623,538
1928...	482,010	769,927	3,139,579
1929...	1,310,147	780,014	3,880,247
1930...	1,055,097	618,884	2,625,979
1931...	528,581	583,429	1,908,141
1932*..	232,125	305,763	1,006,358
	4,001,384	3,705,827	15,183,842

*10 months.

Ford figurers point out that this record was made despite the fact that Ford production in this period was halted twice, once for the Model A and again for the V-8, from May to December in 1927, and for practically the first 5 months of 1932. The lost time totals almost 1 year out of the 6.

Ford would also like it known that its passenger car sales in October were 20,410 units, which was 32.3% of total sales, all makes; that the next make (Chevrolet, to you) registered 15,772 or 25% of all makes; that Ford has led in passenger and commercial car sales in the United States each month since June, when volume deliveries began.

What the Figures Show

Ford, it would seem, had the most cars, Chevrolet won the most years.

And as for "looking at all 3," other manufacturers can remember when it was "all 2," even "all 1." This year, Continental and Willys would like to see it "all 5."

Continental's plans, misreported here as elsewhere, are now clear. There will be two 6's, and a 4. The 6's will be handled through dealers in the regular way. These dealers will also handle the 4. But the 4 will also be handled separately by the factory, through independent service garages appointed as Continental Terminals. These terminals will sell only the 4, will deliver and service it.

Without an old manufacturing or dealer set-up to consider, Continental is able to undertake many short cuts in merchandising in its effort to put a "large full-sized car within reach of millions of incomes adjusted to a new scale of economic values." W. R. Angell, president, promises direct selling through the terminals in the larger cities, mail-order selling for the rural areas, and a special drive for fleet sales.

Powdered Metals

New alloys, new applications, develop steadily and boost consumption to 100 tons monthly.

MOST striking recent development in the metallurgical field is the swift growth in the use of powdered metals. A scientific curiosity 8 years ago, current consumption is running 100 tons a month. Spurred by the demand for closer accuracies and cheaper processes, metallurgists are bringing out new applications in a steady stream.

It has been discovered that in many cases, great advantages are to be gained over the older methods of melting, alloying, casting, and machining. Practically any metal—copper, iron, nickel, chromium, tin, zinc, silver, molybdenum—can be produced electrolytically to pass through 200 to 300 mesh screens, compressed in dies at 2 to 250 tons per sq.in., and sintered to weld or alloy the particles. To sinter means to weld without actually melting. On breaking tests, the particles usually let go before the welds, the microscope shows.

Thus metals of almost incredible purity are obtained; two metals of widely varying melting points which cannot be alloyed by ordinary methods can be alloyed. Metals and non-metals, as

The Business Week

CHEAPER IRON HORSE—The new low-price, all-purpose Farmall built by International Harvester for the small farm market. It weighs little more than a draft horse but will do the work of four of them.

tungsten and carbide, can be combined. "Oilless" bearings, so called, are made by sintering some such combination as powdered copper, tin, graphite, and a volatile salt. Heat drives off the volatile salt, leaving a material which is hard but porous. The porosities serve as reservoirs of oil.

The fact that no metal is wasted in making parts by this method, and the close accuracies obtainable, eliminating machining, offsets in many cases the higher price of powdered metals.

First use of the process was in making tungsten filaments, all drawn from powdered metal billets.

Dollar Oil Dead

The Supreme Court decision had nothing to do with prorationing, as such, but it started a chain of events ending in price cuts and shut-in wells.

WHEN the Supreme Court "took a shot at a dead horse" (*BW—Dec21'32*) by rebuking the governor of Texas for overriding a federal injunction with martial law, it hurt no one, not even the governor. For both the governor and the injunction were quite dead; the governor, politically, because of the victory at the polls of Ma Ferguson; the injunction, because the law against which it moved was superseded by a revised version.

But the sound of the shot, however harmless the bullet, caused a live horse, the skittish, nervous beast hitched to the proration apple cart, to run away. Dollar oil fell off, and it will take all Governor Sterling's (or Ferguson's) men to put it up again.

Standard Stands Firm

Last October, as a reward for better production control in Texas, leading oil buyers promoted $1 oil to $1.12. The Standard companies refused to meet the increase (*BW—Oct26'32*), on the ground that marketing conditions did not justify it.

Last week, Standard had the doubtful satisfaction of seeing its conclusions confirmed. Texas Corp., one of the companies which made the increase, posted crude prices drastically lower. The new prices, below the October level, are "more in line with realization values."

Consolidated Oil (Sinclair) leader of the October increase, followed "reluctantly." Shell Union also announced cuts. Humble Oil and Carter Oil, buying subsidiaries of Standard (New Jersey) followed suit, and Standard of Indiana is expected to do so.

Sounding a Warning

Production control has been slipping in Texas, of late. Coming within 48 hours of the Supreme Court's decision—which bolstered the power of the almighty injunction—the price cuts are seen as a warning expressed in the only language which the industry understands.

Said President Holmes, of Texas Co., "More than half the crude production in the general Mid-Continent territory . . . is being run at materially less than posted prices . . . this condition, together with the disregard on the part of some for State Commission's allowables, *the readiness with which injunctions are sought and allowed against commission's orders*, and the failure on the part of a great many of the states to enforce gasoline tax collections from all alike, brings about a market condition that makes it unwise for this company to continue buying at its present posted prices."

The italics are ours; the feeling is the industry's.

The warning was effective; Monday is decision day in the Supreme Court; Wednesday saw the price cuts posted, and Saturday of the same week, the Texas Railroad Commission (which has had some experience with effect of supply and demand on prices) turned the key on the East Texas field.

Over 9,000 wells have been shut in until Jan. 1. Ostensibly, the recess is to allow engineers to gauge well pressures and gather other data for the forthcoming proration hearings. Practically, it takes out of the market some 350,000 bbl. a day, which is bound to have a favorable effect on prices.

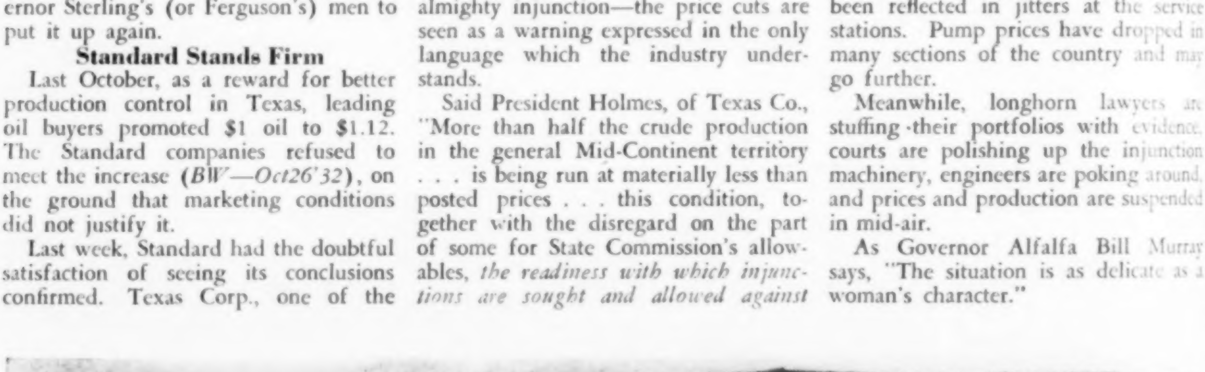
What's Fair?

Important hearings are soon to be held on the manner of apportioning allowables. Oil men are pretty well agreed on the principle of production control, but there is a great difference of opinion on the application. Fairer prorationing will go far toward removing the ill-will which makes control ineffective.

Unrest in the oil fields has already been reflected in jitters at the service stations. Pump prices have dropped in many sections of the country and may go further.

Meanwhile, longhorn lawyers are stuffing their portfolios with evidence, courts are polishing up the injunction machinery, engineers are poking around, and prices and production are suspended in mid-air.

As Governor Alfalfa Bill Murray says, "The situation is as delicate as a woman's character."



Wide World

JEHANNUM GEHENNA—Natives who gave this name to a section of northern Iraq thought hell was breaking through. Westerners knew that these perpetual fires on the surface were gas flames, meant there was oil underneath. Now the Iraq Petroleum Co. has wells there waiting for the pipeline that's coming through from Haifa on the Mediterranean, 600 miles across the desert.

Wide World

AMERICAN AUSPICES—A. F. Driskell, California oil expert (left, you couldn't mistake the Yankee), beside the drilling shaft of one of the wells in the rich fields of northern Iraq—world's newest fuel reservoir.

Taxi!

If your hail brings up a driver-rental cab, take a good look at it. It's a depression product that's driving several cities to distraction—and to new control efforts.

HAY-WIRE conditions in taxicab transportation have driven dozens of distracted cities into programs of restriction and control. Back of the move are bus lines, old-line taxi concerns, street car companies. These ancient antagonists are startled to discover themselves in, at least, a sentimental alliance. The answer is the attack of a common enemy—the cut-rate taxi which has achieved its highest (or lowest) development in the driver-rental system. Generally the public and public service commissions have joined to combat a new idea which threatens to revive the worst phases of jitneyism.

Driver-rental systems are not taxi-operating companies at all. They let cabs to anyone who can secure a taxi license, charging from $3 to $6 a day. Cars are not real taxicabs built to their purpose, but small passenger sedans. In addition, the driver buys oil, gas, and (usually) repairs from the renting concern. The companies thus avoid responsibilities of running taxis, are concerned almost entirely with seeing that renting drivers meet daily obligations.

Results have been strange and awful, even for this wildest of transportation industries. Floods of so-called taxicabs have been unleashed on crowded streets, their liabilities limited to those of the hard-pressed drivers whose physical resistance may be the only protection for fares and other traffic. Washington was first afflicted with driver-rentals. At the height of the resulting uproar taxis were hauling people about the capital's broad asphalts for almost nothing, the only income being whatever tip passengers handed the driver. Baltimore is now in the throes. Cleveland is threatened. Other cities look on and strengthen their lines of resistance.

At the wheels of these cars sit out-of-work taxi drivers, or unemployed men of every description who can scrape together enough money for day-by-day expenses. They are harassed by the necessity of earning their $4 (average) rental, gas and upkeep, are driven by the need of profit beyond these costs. Result has been reckless driving, chance-taking at traffic signals, operating stretches as long as 18 hours with an inevitable train of fatigue and trouble.

In Washington it was estimated that the average income per driver for 10 to 12 hours' work was 56¢—not counting tips. Here the number of taxis in accidents rose from 9 per 100 in 1929, to 29 per 100 in the first 6 months of this year. Last year taxi accidents increased 42% while other accidents decreased 9%. (The part of the driver-rental in this showing is indicated by a Baltimore check-up which revealed that one of these companies had 30 times as many accidents as the established Yellow company, while the average for other driver-rentals was 4 times as great.)

You Take Your Chance

Pedestrians are adjured to step with circumspection in these fair cities. If you are smacked by one of these bounding mavericks, profit is most likely to be garnered by your physician (or mortician). Legal action against a financially irresponsible driver seldom results in a fair settlement. One driver-rental company in Baltimore ran up a score of 84 accidents (3 fatal) in 84 days. Insurance at that time was lacking so that the only target was the company's "indemnity reserve." This amounted to $25,000 combined for companies operating in Cleveland, Washington, and Baltimore. (The company did not even own the cars since they were bought on small instalments and were still subject to liens.)

Baltimore tried to corner such companies through refusal of permits to cabs whose owning companies did not comply with the Workmen's Compensation Act. The retort was a deft sidestep. The driver-rental concern "sold" cabs to drivers; terms were $25 down, $4 a day thereafter. The wild cabs continued to roll. The established taxi company, street-car company, cripples, and allied interests will try to bring the driver-rentals into line at a hearing of the Maryland Public Service Commission on Jan. 10.

"Congressional" Rates

Washington's efforts at control were scotched by Congress, which hooked on the District's last appropriation bill a proviso that nothing should be done to up the rates of Washington taxis. Congressmen bellowed against boosting the price of transportation to "citizens visiting the glories of their capital." There were skeptics so unkind as to hint that the lawmakers held the ruinous rates because they liked them. (Country members are notorious for non-tipping.)

What this swarm of small passenger-car cabs has done to the builders of real taxicabs is just too bad. Hard times

would explain some of the sales drop, but not all. For the first 9 months of 1930, 1931, 1932, the government reported sales of purpose-built cabs as 6,320, 3,241, 584, respectively. Last October just 5 such cabs were sold—less than 1 for each manufacturing company. (Sales for the same month last year were 582.)

Most of the competition comes from regular passenger models of Chevrolets, Plymouths, Fords. Chevvys probably lead the count. The consequence is a curious inter-family competition. General Motors makes taxis with its Yellow Truck and Coach Mfg. Co. Its sales are cut by fleets of Chevvys sold to driver-rental concerns. These are usually bought on time, financed through General Motors Acceptance Corp. To brotherly complaints, Chevrolet's executives can retort truthfully that their job is to sell that brand car, not to police its subsequent use.

Meanwhile the cities, in their irritation, bear down harder with control. In Chicago driver-renters get around requirements for large cars by utilizing used high-priced machines; but these are operating under temporary permits, may have to give way for resumption of service by 2,100 laid-up taxicabs out of a 5,400 total. New York's new Board of Taxicab Control lacks an adequate appropriation but the police and public opinion probably would step on any threat by driver-renters. Philadelphia refused to admit the disturbance, pointing out that enough real taxis were laid up to take care of all needs. More and more large cities are deliberately restricting cab numbers, fixing rates, requiring adequate insurance and periodical inspection.

Short-Weights

Federal Trade Commission finds them in chain stores, also in other stores; over-weights, too. It seems to be carelessness, rather than conspiracy.

WHEN a "naborhood" grocer finds his public strangely complacent about the price-cutting of the chain stores, there's always one argument on which he can depend to jar its apathy. "They do it by short-weighting you."

The Federal Trade Commission has heard the argument and has turned aside from its current investigation of chain store practices to ask, "Is that so?" "Turned aside" is correct because, this time, the commission has generously thrown into its scales not only the chain store but the cooperative chain and the independent grocer, as well.

Without going into details, as Washington's earnest inquirers did for the navy beans, lima beans, dried prunes, bulk crackers and granulated sugar of 1,691 stores of all 3 categories in 4 representative cities, the low-down seems to be that:

Under and Over

The commission received short-weights on 50.3% of its purchases of these commodities from straight-line chain stores; on 47.8% of those from independent and cooperative chain retailers;

It got away with over-weights on 34.1% of the items bought from chain stores; on 43.8% of those from independents and cooperatives;

(Which leaves a perfect weighing score on 15.6% of the chains' sales; on 8.4% of their competitors;)

On total purchases from chains, it found itself with a net shortage of slightly more than 0.3%, compared with a net overage of 0.096% on its bill of goods from the cooperatives and independents combined with the independents (net overage, 0.143%) showing the most liberal spirit;

On those popularly suspect packages which the grocer is in the habit of weighing up in advance of the rush, it discovered that chain grocers were short in weight on 59% of their sales, while cooperatives and independents failed to tip the beam in 65% of theirs;

Finally, the chains and the cooperatives each gave a net overage in one city out of 4 and a net shortage in the other 3; the independents reversed the showing of their competitors by erring on the consumer's side in 3 cities out of 4; and in 1 benighted town every group stuck the commission for a net shortage.

Summing it all up, as the meticulous commissioners did, the comparison on preweighted items was "markedly in favor of the chains," while on purchases weighed while you wait they "showed an appreciably higher proportion of exact weights," a "somewhat higher proportion of short weights," and "an appreciably lower proportion of over-weights" than other types of distributors.

Since their total net shortage of slightly more than 0.3% of total sales "would amount to 3.41% on the investment in these bulk commodities, figured on the basis of the chain's average stock turn of 10.61 times per annum," this jacking up may be salutary. Fast service can get careless. But, from the way the commission's accusatory finger swings from group to group as it twists from store to store, city to city, and commodity to commodity, it hardly seems to point to anything really helpful to any one group's competitive argument.

Silk

Mills find cooperative exhibit of their new fabrics better than individual showings.

EACH important silk goods manufacturer used to have a formal showing of his new lines. Last summer, 40 of them attempted to do the job cooperatively. They were so pleased with results that the important function of showing clothing manufacturers and the retailers what the mills have to offer in the way of new weaves and new shades probably will be taken over permanently by the Silk Association of America. Its second show will be held the third week of January, with many more exhibitions.

No one connected with silk manufacture is permitted to attend the show. This is to protect exhibitors from pirating. Attendance is strictly limited to buyers who represent the ultimate consumer.

This is not the end of the new Fashion Bureau's work for the association. It also keeps manufacturers informed of the fashion trend. A monthly bulletin tells them what shades, weaves, and weights are selling in the department stores. It reports fabric trends at Paris openings, and charts what smart people are wearing at social affairs such as the opening of the Metropolitan Opera in New York.

Day Room

Hotel bids for shopping trade with half-time rooms at half-price.

EVERY traveling man knows about the day rate, which can be had in many hotels. If he is covering a town between sleeper jumps, it enables him to have a place to keep his things, wash up and rest.

The Hotel Tudor, New York, hotel section of the Fred F. French development of Tudor City, has taken the traveling man's tip, offers a "day room" service at $1 which includes room and bath from 9 A.M. to 7 P.M.

It aims to attract the Westchester and Connecticut women who come into New York to make a day of it. After a hard day in the stores, the ladies may enjoy a wave and a manicure in their own rooms, have their packages delivered to the Grand Central parcel room.

Life Insurance

Sales figures go down with the depression; death rates stay down in spite of it.

LIFE insurance presidents, back home last week from their annual meeting in New York, found their convention enthusiasm tempered by November production reports just issued by their national association. As in 1931, but not as in 1930, the 44 American companies covered by the report wrote more insurance in November than in October—$671,242,000 against $670,420,000. But the total was 20.7% less than a year ago, compared with a drop of 18% in October, of 11.1% in September, and the cumulative total for the first 11 months of '32 had fallen 16.1% below that for the same period of '31. Group insurance alone showed a November gain—26.8% from the level of the previous year—and that could be accounted for by the fact that in '31 it had slumped 51.8% from November, 1930, figures.

Reassurance Offered

Said confident President Thomas A. Buckner of New York Life Insurance Co. in his chairman's address at the New York meeting, "Those of us in the business, however, are reassured when we compare the degree of reduction in new business in our field with that in other lines," and report-readers turned back to the resounding figures of his address:

"Life insurance in force at the close of the present year—approximately $103,750 millions—affording protection upon the lives of 65 million policyholders . . . less than in 1930 and in 1931 . . . but, in spite of the depression, will exceed the outstanding amount at the end of 1929 . . . will be more than twice the total at the end of 1922. Companies will have paid to policyholders and beneficiaries in cash or credits in 1932 the gigantic sum of $3,100 millions . . . exceeding the record-breaking total of 1931 by $500 millions."

Checking Up the Figures

Like all life insurance men, report-readers knew that some of the disbursement figures were because of, rather than in spite of, the depression, recalled significant totals cited at their meeting by President John R. Hardin of Mutual Benefit Life Insurance Co. of Newark, N. J. Of the $6,169,009,000 paid out in the 3 depression years, said Mr. Hardin, the 52 companies reporting to the Association of Life Insurance Presidents had distributed $1,414,252,000 in surrender values and $2,048,678,000 in policy loans—the latter expected to reach about 18.4% of admitted assets at the end of 1932 as compared with 13.3% at the end of 1929, though now believed to be subsiding.

"That," commented insurance executives, "was to have been expected." Less expected was the failure of 1932, a year of heavy unemployment, to change the country's mortality and morbidity trend for the worse. This year's experience, reported to the life insurance presidents by Dr. Augustus S. Knight, medical director of the Metropolitan Life Insurance Co., New York, has shown a normal continuance of the 10-year decline in deaths from all causes except suicide (*BW—Dec21'32*), cancer, organic diseases of the heart, and cerebral hemorrhage, which have been increasing for the last decade. There has even been a decline in automobile accidents, though this is due largely to the fact that there are fewer cars on the road nowadays.

Did Health Work Help?

Dr. Knight attributes the 1932 health record to the effective functioning of community health and relief services in the depression. Other critics have suggested that even enforced leisure has compensations in its release from strains that undermine health, its promotion of plain eating, and its opportunity for outdoor exercise—though their judgment will be doubted by the unemployed, about whose mental reactions Metropolitan's director admits some anxiety.

The Business Week

HOW TO BUY—Sears, Roebuck, in its new State St. store, endeavors honestly to explain to shoppers why good things cost more. This is the sheeting section of the shoppers' clinic, with a lecturer on the job.

Dismissal Pay

Connecticut Commission offers a "sample" plan for unemployment relief but urges state to wait.

ADD to unemployment insurance programs that announced last week by the Unemployment Commission of Connecticut—and note that its main features were described to the American Society of Mechanical Engineers and reported over a year ago (*BW—Dec.9'31*).

Noting this is to note that Connecticut's program reflects throughout the personality and persuasiveness of socially-minded James W. Hook, president of the Geometric Tool Co. of New Haven who, since describing his ideas to the engineers, has been talking them over with Howell Cheney of Cheney Brothers, Prof. Clive Day of Yale, Harry C. Knight, president of the Southern New England Telephone Co., and John W. Murphy, mayor of New Haven. These are the members of the Connecticut Commission, of which Mr. Hook is chairman.

The program is not to go into effect

now if the commission has its way. "This is no time," it says, "to discourage business by forcing further burdens upon it." (Mr. Hook personally prefers private to governmental organization of unemployment reserves.) But if the General Assembly insists, the commission submits the Hook "dismissal wage" for stable industrial employees—as distinguished from the unemployable group which must be left to public and private charity, and the casual and nomadic workers for whom emergency jobs must be provided through forward planning of public works.

Under this plan employer and employee would contribute 2% of payroll and pay respectively to funds deposited with the state treasurer for investment and safe-keeping. The worker's fund, held separate, would be available for his use when out of a job. The employers' fund would be put to similar use as follows:

To pay workers dropped from jobs after from 40 to 52 weeks' employment half-wages or $10 a week, whichever is lower, for from 9 to 12 weeks following dismissal, depending on length of employment within the limits set and with the provision that no worker shall receive over $120 in any consecutive 52 weeks;

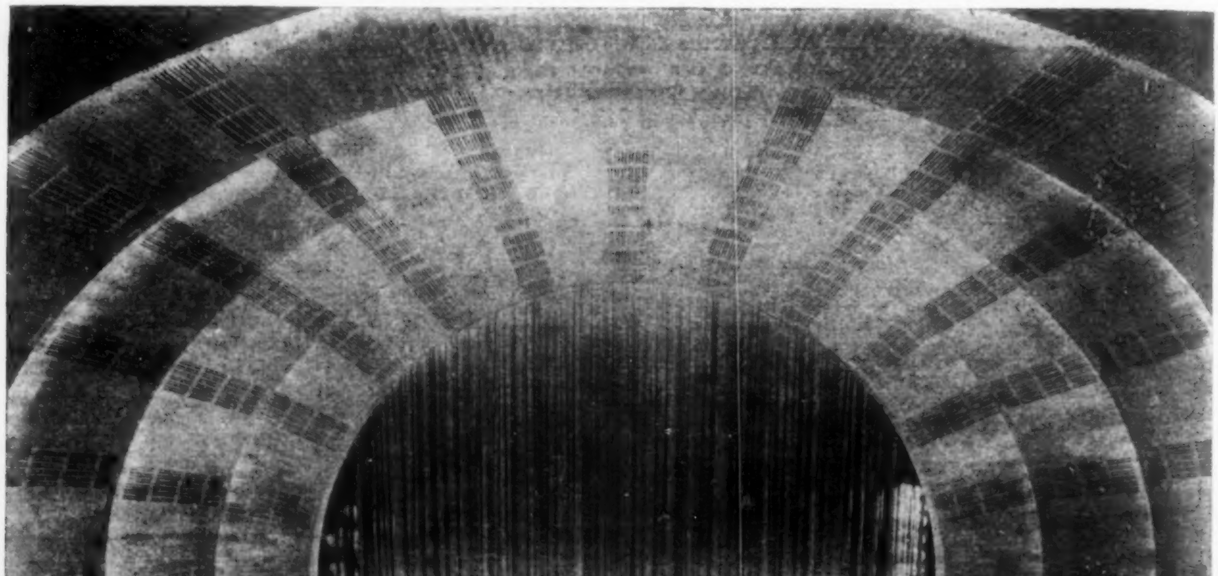
To bring up to half-pay or $10 a week, whichever is lower, the wage of any employee who after 40 weeks of employment is cut to less than this amount, with the understanding that this supplemental wage shall run for not more than 42 out of any 52 consecutive weeks, shall not exceed $120 for any 52-week period;

To pay a dismissal wage of half-pay for 2 weeks or $20, whichever is lower, to any employee dropped without a week's notice at any time between the thirteenth and fortieth week of employment.

Provision is made for exempting from these benefits employees who leave of their own will, or are dismissed for cause, or—ear-pricking news for union labor—are out of employment due to a trade dispute; also to exempt employers who have private or group plans measuring up to the prescribed minimum standards. Eligible employees would be those who authorized their employers to make deductions from their pay for their own "terminal savings fund" and whose wages amounted to not more than $2,000 a year.

The commission lays emphasis on what it believes is the simplicity of this plan as compared with those under consideration in other states. Correlatively it urges that Connecticut establish a State Board of Industry to serve both employers and employees, to charge the State Board of Finance and Control with the job of planning work ahead for 6 years and assuming special relief powers in emergencies.

Meanwhile, the Connecticut General Assembly is likely to have its hands full of labor bills this winter, what with the State Labor Department's campaign to clean up the needle trades that crossed the border after being driven out of New York by restrictive measures, now proposed in the Nutmeg state. Add the fact that Connecticut has always been conservative about labor legislation and it seems likely that Mr. Hook's dismissal wage may remain for some time the "sample" he is candid enough to characterize it.



Wide World

WORLD'S BIGGEST THEATER—It seats 6,200 and yet each spectator in the new Roxy International Music Hall, Rockefeller Center, which opened Dec. 27, feels he is fairly close to the stage. The rising sun motif runs through all decorations.

Home Loan Banks

Despite Borah's invective and other criticisms, the prevailing disposition in Congress is to give the new system a chance to show what it can do.

SENATOR BORAH'S proposal to repeal the Home Loan Bank Act is not taken very seriously in Washington. Not that he is alone. There are other members of Congress who feel the system will be of small benefit to home owners, and who profess they do not see why the government should go into the real estate mortgage business.

Senator Couzens vigorously assails the system. The idea, so he says, is to unload the bad mortgages on the Home Loan Banks, while big institutions keep the desirable ones.

But these critics are in the minority; the majority sentiment favors giving the system a few years to demonstrate what it can do.

So far, the system's spokesmen have kept silent. That is not because they have nothing to say, but because they believe this is not the time to argue.

There are good friends of the Home Loan Banks who say privately that the system can blame itself for some of its present troubles. Advocates of the bill were so eager to get it passed that they emphasized heavily the idea that this was a plan which would be of swift assistance in the present emergency. It is no wonder that critics now clamor to be shown quick results.

First Principles

Thoughtful students of the question realized from the start that the Home Loan Banks, like the Federal Reserve, will have their chief value as long-term institutions, slowly developing conditions which ought in the end to make their bonds the soundest and most desirable securities in the country, excepting only federal obligations. This, if accomplished, could hardly fail to make first mortgage money cheap.

Another mistake in tactics was to advertise that the banks would be open and doing business by Oct. 15. This was a sheer impossibility. No doubt it was good pre-election politics to show the public that an administration measure for relief was getting into action promptly. But now there is a repercussion. The banks were technically open on the advertised date, but that is about all.

They had not assembled necessary personnel; above all, had not had time to perform the Herculean task of devising accounting systems and rules of operation which must stand for decades if the system is to be successful. The responsible men in the system are determined not to make any of the mistakes which have marred the record of the Federal Land Banks.

As a matter of fact, the system has done a good job of organization in remarkably short time, and it is likely that it will be making loans in January.

Admittedly the bill is not perfect—it is pointed out that the Federal Reserve Act has been amended some 80 times—but it is promised that the Home Loan Banks will do yeoman work in 1933, when real estate mortgage conditions are not apt to be any less serious.

The Real Purpose

Another bad piece of press agenting was to emphasize the idea that the system was set up to make direct loans to home owners. True, such a provision had to be inserted in the bill to win over some Congressional support. But the system, in essence, is a rediscount institution. It should not deal with individuals. The relief to the individual should arise from the fact that his savings bank or building loan association need not press him so hard, now that it can rediscount his paper with the Home Loan Banks when it has need for cash.

Meanwhile, the United States Building and Loan League is deeply concerned with the success of the system. It was created in large part for the benefit of building and loan associations, and the directors feel the membership should respond by joining unanimously. The leaders are disappointed that so many members should hold back. They have even discussed seriously whether they should not give support and assistance to business men in various localities who want to organize new building and loan associations, because the existing association has declined to join.

Workers' Homes

At $10-$12 a room those new housing projects are not for the tenement-dweller. New York considers one that cuts all frills.

SLUM clearance and rebuilding is urged as the greatest present need for new construction. The general impression that this would benefit working people is all wrong—at least in so far as it applies to contemplated projects in New York. Generally, they would help the white collar class, but rents would be past the reach of the overall classes. High land values and semi-luxury installations would mean rents of $10 to $12 per month per room—too much for the low income group.

A possible method of preserving the New York districts for the people occupying the old buildings now is indicated. The West Side Association of Commerce made a survey of housing needs in its territory through the Architects' Emergency Committee and Howard B. Burton, an architect specializing on low-cost housing. On the basis of his findings Mr. Burton has prepared plans which he believes will make possible rents of $5 and $6 per room.

His plan is to supply what these people can afford to buy—shelter. A 12x12 ft. room with two windows, is the starting point. The courts are 20 feet from wall to wall—"50% better than Park Ave." All would have a cross-draft. East and west facing gives both morning and afternoon sunlight. Each apartment provides running cold water with bath, sink, and washtub. Those who can afford it may have hot water. There are no closets; clothes hang on wall hooks or in wardrobes. Apartments run 2 to 4 rooms. All measurements are standardized. The buildings are 5-story walk-ups. Five blocks are included in the plan.

On $10-a-foot land a $12-million investment would thus house 2,384 families, Mr. Burton believes. The 8,296 rooms would rent from $5 to $7, would return annually $607,800. Rentals of shops, theaters, etc., would be relied on to bring in $326,000 additional. Allowing for vacancies, total income would thus be $887,000. Against this, costs (including all interest, amortization, taxes, etc.) of $820,000. Annual net surplus, $67,000.

Mr. Burton admits that the buildings would look like barracks. The project is not intended as an architectural exhibition but as housing for poor people.

Checks

Airplanes save a day from Chicago, two from the Coast, savings run into millions.

BANKS increasingly are using air express for sending checks between distant centers. Railway Express Agency calculates the saving on New York–Chicago shipments as $4,098 yearly per million dollars. On check shipments from the Pacific Coast, this saving is tripled. There is a further economy in cutting down appreciably the "float"—the sums tied up until checks clear.

Checks shipped by air after the close of the banking day in Chicago arrive in New York in ample time to catch the opening of the next banking day. The receiving banks can get them into the Federal Reserve Bank before 10 o'clock, which is the deadline.

Hard-Boiled Boosting

"Profits" is the theme of A. W. Robertson's national committee on industrial rehabilitation—which incidentally is putting a lot of men to work.

OUR land is filled with the lamentations of manufacturing and retail executives who bemoan the tendency of consumers to sit tight upon their reserve funds or allow their credit to atrophy. Attention is now focused on the fact that executives have been doing exactly the same thing. Many companies possess reserves of cash, securities, credit that have been salted down by the tears of the mourners. The National Committee on Industrial Rehabilitation has worked out a technique for liberating this locked spending power.

Success of the plan is due largely to the fact that it kicks Pollyanna squarely in the pants and advises her to run along and play with her dollies. Companies are induced to modernize plants or stores not because it is a sweet and holy thing to do, but because intelligent expenditures will increase income. Extent to which the new gospel is being accepted is gauged by the committee's recent announcement that rehabilitation projects costing $105 millions already are under way or will start with the new year.

Too Much Ballyhoo

The committee realizes that many a good cause has been ballyhooed to death during the last 3 years. It seeks to exclude hot air from its driving forces. The above figure refers strictly to real modernization spendings—does not include public works or government projects or instances where burned plants are resurrected with insurance payments. Here is an example of what industry can do when it removes its nose from the Washington Wailing Wall and starts out to go places on its own sturdy legs.

Be it known that the National Committee on Industrial Rehabilitation is not a "Hoover committee" nor is it responsible in any way to government. Its formation followed an August conference of banking and industrial leaders. The set-up includes a chairman and organization for each of the 12 Federal Reserve Districts with Andrew Wells Robertson, chairman of Westinghouse, as head of the national committee. In each territory, the district chairman is left to build his own sub-committees in whatever manner he thinks will be most effective.

A Work Plan

How do these committeemen (there are 2,000 of them) work?

First, they are thoroughly inoculated with the philosophy of the movement: Capital goods industries—sellers of equipment and supplies to plants and buildings—are most vitally interested. Annual income of capital industries dropped during the depression from $5 billions to a little over $1 billion. Out of the nation's total of 11 millions unemployed, some 1,620,000 lack jobs from prostration of capital goods industries. Annual payroll loss in this one field is $3 billions. Executives in such lines feel an impersonal sympathy for 11 million jobless, but the million-and-a-half out of work in their own industry have a direct appeal. They will act to return this division of the unemployed army to incomes if a way can be shown them.

They Carry Authority

The committee points out a logical course. It goes after only those companies which have or can get money. They are not expected to make expenditure unless it results in improved processes or lower costs for their products. Such improvements can now be made for less than ever before, probably for less than at any time to come. Unless a company is licked and expects to quit, here is an opportunity to prepare for the future's inevitable competition—and at a bargain price.

Committeemen are presidents or other executives with purse-string authority. They can talk turkey to similar officers of other concerns. They furnish check sheets which will uncover economy opportunities in any plant. The committeeman calls on his prospects, sells the idea, suggests necessary or income-bearing improvements. It may be a new roof, elimination of accident-causing rough spots in floors, more economical motors for a battery of automatic machines, better lighting, a different paint job. Indirectly, sales result from such suggestions.

From the Economy Angle

A common response to queries is, "But we have been modernizing all along."

One reason for this report is that plant superintendents have been ordered to hold down expenditures, are afraid to recommend new moves. Executives are asked to put queries in this form: "Please report any suggestion which would save us 20% to 25% in costs, which can be paid off thereby in the next 4 or 5 years."

The economy idea is continually driven home in Mr. Robertson's talks. He says: "There may never be a bargain like this in the life of anyone listening to me." . . . "The arrival of good times depends on the number of people who have the foresight and courage to take advantage of present opportunities." "The Pollyanna 'Buy Now' movements did not have any real merit."

Mr. Robertson makes a lot of these talks and attends numberless conferences. Assumption of this extra work forces him to spend considerable time in the air—flying between New York and Pittsburgh. The Robertson physique is equal to the strain. He is a big man—something over 6 feet in altitude. His desks are made to order, raised to a height which furnishes a comfortable elbow rest. The Westinghouse chairman is 52 years old, was born in upstate New York, was a lawyer before he became an industrial executive.

Jobs

Manufacturer offers pledge to replace every machine he sells out of stock by making a new one, creating jobs for more workers.

"WE build turret lathes," the Warner & Swasey Co. announces. "We have a substantial number of these finished and in stock. Nevertheless, for each turret lathe purchased from us we will put men to work immediately building a new one of equivalent value in order to increase employment. . . . If you are really interested in putting men to work, here is the way to accomplish it."

The idea was suggested by Louis Allis, president of the Louis Allis Co., Milwaukee. It meets the objection manufacturers have been putting up to the Robertson rehabilitation committee, "How does it help employment if we buy modern equipment, when we know the machines come out of your stock already manufactured?"

Microscope

New stereoscopic instrument reveals textiles in 3 dimensions, aids technologists.

TEXTILE technologists are interested in a new microscope which is revealing entirely new information about the real structure of wool, cotton, silk, linen, and rayon. The new instrument is stereoscopic, and shows up fabrics or fibers in three-dimensional aspect with distinct advantages to the textile industry.

Many markings, hitherto supposed to be pits or cracks, are found now to be optical illusions. Problems of structure that have defied analysis promise to yield to the new and keener scrutiny now possible.

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Business men who are resting on their selling oars, confident that past efforts have sewed up their markets, need only to look at the following facts to have their complacency disturbed.

In the past year somewhere between 35% and 69%* of the men with buying authority in industry either changed their jobs or their connections or were new men in new executive or managerial jobs. Hundreds of thousands of changes—each one a "new name on the door." New prospects to be converted into customers. New sales jobs on which your salesmen must start from scratch. A vast parade of men marching through industry. Yes, the old order changeth—the old giving place to the new.

Once you look at industry from that viewpoint you will realize why it is impossible to saddle the whole selling load on salesmen alone except at tremendous cost. And why should you when low-cost industrial advertising can be employed to back up (and buck up!) your salesmen—to open doors to them—to build good-will and confidence in your product, break down prejudices, make prospects want to see your salesmen and hear their story—leaving your men free to relate your product to the specific needs of the prospect and to get the order.

Today with competition keener than ever—with many men in many jobs to be sold—with many changes in personnel taking place—your salesmen need that backing of advertising more than they ever needed it before. And you need that low sales cost which only a well balanced program can give you.

Give it to them! And to yourself! Don't say you can't afford it. For through the McGraw-Hill publications, where you pay to reach *only* your logical prospects, you can do a thorough advertising job to industry on a surprisingly small budget.

*The percentage figures quoted above are based on corrections made in McGraw-Hill subscription lists due to changes of jobs, removals on account of death, discharges, resignations, promotions, etc., and also the addition of new men in jobs new to them, made vacant by the changes mentioned.

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Power

The Business Week

Domestic Allotment = Sales Tax

Prospects of farm relief legislation in the present session become dubious as the domestic allotment plan develops complications and opposition.

DESPITE numerous conferences among farm organization leaders, members of Congress, and spokesmen for President-elect Roosevelt in the past 2 weeks, the outlook for action on agricultural relief legislation has become more confused than it was some months ago. The national farm organizations in their recent conventions and subsequent conferences have come to substantial agreement on the general lines of legislative policy which they will support. In this program attention is centered on raising the domestic price of leading farm products.

Hearings Now On

Although there is some Congressional support and several bills are pending for legislation which will permit the Farm Board or the Department of Agriculture to experiment at its discretion with any or all of the 3 general types of schemes—the McNary–Haugen equalization fee, the export debenture, or domestic allotment plan—interest is concentrated on the latter. The House Committee on Agriculture is now holding hearings on several bills providing for application of the domestic allotment plan, one of them prepared and endorsed by the national agricultural organizations.

In the course of working the domestic allotment idea up into legislative bills it has developed serious complications and such a confusion of variations that enthusiasm for it in Congress and elsewhere has been considerably dampened. At the same time, opposition from business interests affected is more active, so that the prospect of any quick passage of such legislation is rapidly disappearing. Even the farm organizations and other supporters of the domestic allotment idea hesitate to see it handicapped by a hastily drawn law which might prove unworkable. It is certain that President Hoover will veto any domestic allotment bill passed this session anyway.

Control Included

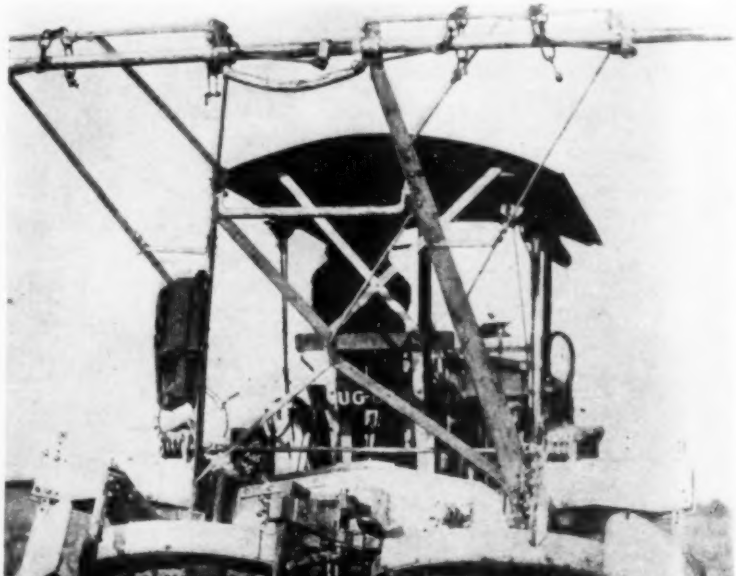
The idea itself is simple and appealing primarily because it includes one element always lacking heretofore in proposals for raising farm prices—the principle of production control. Its essential feature (*BW—Sep28'32*) is the payment of a bounty over and above the normal market price to producers of certain farm products on that part of those products consumed within this country, provided these producers agree to restrict their production within specified limits. This bounty or extra payment over and above the regular market price would be given in the form of a certificate issued by the government, which could be cashed or borrowed on by the producer under specified conditions. The crops to which it would apply are wheat, cotton, tobacco, hogs, and possibly dairy products, in the bills so far drawn.

The amount of the bounty in some bills is a fixed figure, corresponding to the tariff on the products in question, 42¢ a bushel on wheat, 5¢ a pound on cotton, 4¢ a pound on tobacco, 2¢ a pound on hogs. In other bills, especially those supported by the farm organizations, the amount of the bounty would be flexible, based on what would be necessary to maintain the pre-war relationship between farm prices and other prices. One version of the plan provides for payment of the bounty on 1933 crops without attempting to make a specific allotment of the allowable reduction for each farm. Such allotment is to be postponed till 1934 and the bounty in 1933 paid merely on that part of the farmer's output which is domestically consumed, without any obligation on his part to restrict production. In another version, the bounty would be paid only to those producers who reduce acreage or output by 20% in 1933.

Levying the Tax

Money to pay the bounty, under all bills now being considered, is to be derived from a federal excise tax levied on the processing of the commodity in question, that is flour milling, cotton spinning, tobacco manufacture and slaughter of hogs; and is to be collected from such processors. To prevent discrimination between the different textiles and shift of conusmption to substitutes for cotton, the processing tax is also to be laid on silk and rayon manufacture. All such commodities processed for export are tax-exempt.

Although the Farm Board in a special message to Congress supported the allotment plan, none of the bills so far



Central News

GYROTILLER—This massive machine, built in England, can plough an acre in an hour. Its great revolving teeth, powered by a 150-hp. Diesel engine, bit half a yard deep in the soil, and 3 yards wide. It is the only one of its kind in England; others are in use in Russia and the West Indies.

offered provide for administration of it by the Board, but put the job up to the Department of Agriculture. The legal provisions covering determination of allotments, distribution of the bounty, collection of the tax from producers, necessary allowances for processed goods in stock, adjustments for contract sales of such goods, application to hogs, for which there is no clearly defined marketing season, and many other features are enormously complicated and clearly indicate the necessity of setting up an elaborate administrative machinery almost entirely under the absolute jurisdiction of the Secretary of Agriculture and subject to vast possibilities of political manipulation with all the implications involved in that.

Protest Tax Burden

Aside from this aspect of the proposal, opposition to it from meat packers, millers, and other business interests who have testified at the hearings is based on the assertion that the burden of the excise tax on the commodities affected will reduce their consumption and be an undue hardship to the consumer under present conditions. The estimated total revenue to be derived from such a tax is between $700 and $800 millions annually or around $6 per capita.

This amount represents also the amount of direct benefit to farmers from the bounty, but in addition it is expected that the regular market price of the products will be raised because of curtailment of production. Although no one maintains that the plan would give farmers more than a billion dollars or so additional purchasing power, which would be derived from a tax on the consumption of city workers, its supporters say that this increase in rural purchasing power will lighten farm debt burdens and increase business activity to such an extent that the additional tax on food and clothing of city workers will be absorbed in rising employment and wages.

Other Taxes Complicate

The proposal is further complicated by the fact that general manufacturers' excise taxes and beer taxes are being suggested as necessary ways of balancing the budget. The domestic allotment plan would supplement these by an excise tax on food and clothing and so set up a universal tax on consumption.

Those who are already opposed to sales taxes are likely to be more strongly opposed to this additional tax on food and clothing, even though it is for the benefit of the farmer. The farm organizations themselves, incidentally, have been among the most active opponents of sales taxes on things they buy. They buy food and clothing, too, which is something for them and their supporters to think about.

Ramie Rainbow

It has fooled investors as well as technocrats.

TECHNOCRACY'S cheerful prediction that general adoption of ramie as clothing material will ruin the clothing industry because clothes made from ramie would be practically indestructible ought to bring the ramie promoters out of their hibernation, to prey again on a crop of too trusting investors. The ramie rainbow has cost the American public considerable sums of money in the past and may again.

It is such beautiful stuff. Ramie fiber, carefully prepared and bleached, is lovely to look upon. It is dazzling white, lustrous almost as silk, reasonably soft, 22 in. long.

The fiber comes from a species of nettle which eastern Asia has grown for centuries to supply a textile fiber. The plant will grow in any region where the ground does not freeze more than 2 inches deep. Big and frequent crops can be cut, with ordinary harvesting machinery.

Too Many Buts—

It all sounds so promising. But—

No machines to separate the fiber layer from the rest of the stalk has ever been successful. In the Orient, the job is done by hand; it is a home industry, on a tiny scale. It is not a commercial operation. The fiber is a sort of inner bark, between the outer bark and the inner woody core. It must be peeled while the plant is green. Any large-scale commercial operation therefore must contemplate decorticating mills set down in the center of producing areas, like creameries or canneries. And, to repeat, there is no successful machine as yet, although a lot of stock has been sold in ramie decorticators during the past 25 years.

Well, once the ramie is decorticated, the stuff must be degummed. So far, that, too, is a laboratory job. There is no successful process for large-scale production.

And finally, (or should it be first?) the ramie industry-to-be must consider the inherent characteristics of the fiber. It is closest to linen. It has, apparently greater tensile strength than linen. But it is brittle; it snaps when given a sharp twist. X-ray scrutiny—which is beginning to tell us things about textile fibers that were only guessed at before—shows the reason. The cellular structure of ramie is not spiral, like that of cotton, for example. It is straight; there is none of the twist that gives strength.

Fiber produced experimentally has given great trouble in spinning machinery. No doubt this could be conquered.

Ramie will not feel like wool. It seems inherently unfitted for winter

clothing—one use Technocracy forecasts. It would be cold, lacking the felting effect and air pockets of woolen goods. It might make attractive tropical suits.

Another serious problem; ramie is particularly hard to protect from mold or bacteria in the period between decortication and degumming. This is one difficulty in the way of those who have attempted to build up a degumming and spinning industry using the native-prepared stuff as raw material. Ramie as stripped from the plant and dried in the Orient is imported under the name China grass.

The principal commercial use of ramie so far has been in the manufacture of Welsbach mantles. A few novelty fabrics have been made in Europe from ramie for many years. They are limited in quantity, expensive.

Six-Hour Day

I.C.C. tells Congress what it will cost the railroads. Congress will file the figures, await better times.

CONGRESS has finally obtained from the Interstate Commerce Commission its answer on what it would cost the railroads to put their employees on the 6-hour day, adding 300,000 to 500,000 to their payrolls in such a year as 1930, between 60,000 and 100,000 in one like '32. It must make up its own mind as to the wisdom of the move. The commission appended no advice on that. The nearest it came to advising was to say that application of the 6-hour day in principle would have no material effect on railroad operation and service, assuming that revenues would be sufficient to cover the bill. If 6-hour days are to rate the basic 8-hour wage, the I.C.C. foresees an expense increase of $630 millions or 22.2% of payroll on the basis of 1930 operations; of $414 millions if figured on 1932 operations.

If the cut in time is accompanied by a pro rata reduction in wages, the commission thinks there should be a saving of $26 millions or 0.9% of payroll on the basis of 1930, of $20 millions if the estimates are applied to 1932 operations. Continuation of the 10% wage cut, instituted last February, would pull down all these estimates.

To its mathematical data, the commission added its guess that, with the increase in labor-saving equipment and in the light of experience under the Adamson 8-hour law, introduction of the 6-hour day with no reduction in wages would be followed by a gradual decrease in the additional expense; that savings in the case of a pro rata wage cut would gradually become greater.

The report will be duly noted and, for the time being, filed away in the memory of a Congress that is strongly disinclined to increase railroad expenses, of railway unions that are as strongly disinclined to accept their "social reform" at the cost of a quarter of their wages. And that will be that.

Utilities

Niagara Hudson decides to leave to the dealer the job of selling gas and electric appliances, which makes the policy virtually unanimous for New York state.

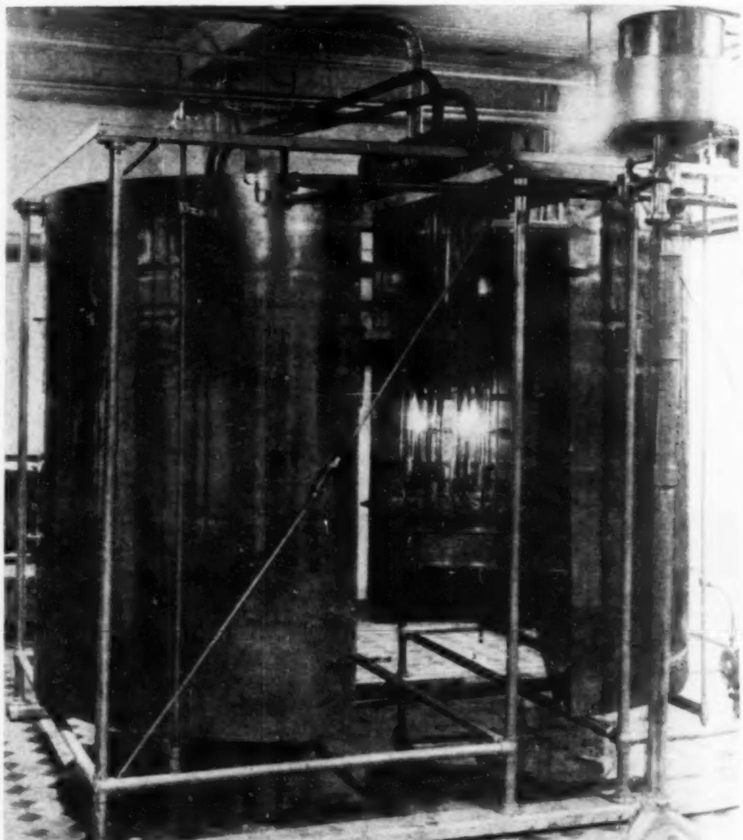
IN the prolonged tussle over the question of whether utilities or dealers shall sell gas and electric appliances, New York state has swung heavily to the side of the dealer.

Niagara Hudson Power Corp. announced last week that it will gradually retire from the merchandising field. The new policy will be put into effect first in the Utica–Glens Falls district, effective Jan. 1.

Central Hudson went out of merchandising some time ago. The New York Edison system has taken steps which indicate its policy will be the same. Except for a string of Associated Gas & Electric companies in the southern tier of counties, that makes it unanimous for the Empire state.

Reasons for Niagara Hudson's decision are two, in the opinion of close observers. First, Central Hudson has been eminently successful in load building since it abandoned the sale of appliances. It has an elaborate and effective plan of cooperating with dealers in promoting sales. Niagara Hudson announces a plan which seems to follow the same general lines: The second reason seems to be that Floyd Carlisle, supreme in Niagara Hudson and New York Edison affairs, thinks selling merchandise isn't part of the job of utility operation.

Dealer antagonism has caused several states to pass laws forbidding utilities to sell goods. Dealers, if sufficiently aroused, can stir up considerable unpleasantness at their state capitals, inspiring investigations, hearings, and the like. Utilities, like everyone else, have enough troubles just now without that.

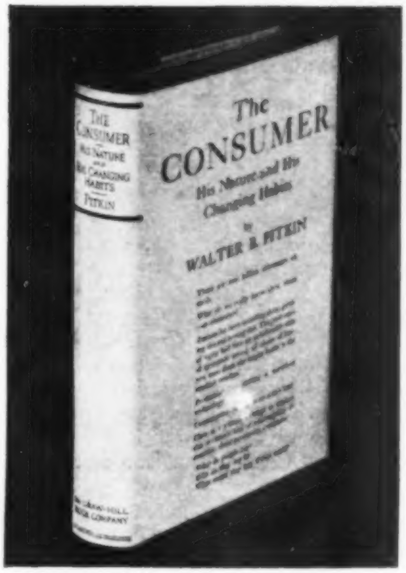


The Business Week

MILKY RAY—The machine, developed by the Wisconsin Alumni Research Foundation, the National Carbon Co., and the Creamery Package Co., which irradiates milk with vitamin D by the Steenbock process. The 12,000-watt carbon arcs impart the power to heal and prevent rickets to the endless film of milk which flows down the inside of the shiny upright cylinder.

JUST PUBLISHED

The first real analysis of the consumer — his habits—his buying power



THERE are two billion consumers on earth. As a factor in the success of *any* business—more important than our technically perfected production or our wizardry of salesmanship — what, actually, is known about them? Here is a book that supplies the want—the first scientific appraisal of the consumer—the first specific analysis of the directional and limiting boundaries of his nature as a class.

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His Nature and His Changing Habits

THIS book takes men, women and children in their capacity as consumers, and for the first time analyzes them in the light of all the factors which govern their consuming habits. Age, sex, state of health, physical, mental and moral habits, cultural level, income level, occupation, time, taste and prejudice—all these have a voice in the selection of any article for use or enjoyment. How do these factors interact upon one another in relation to the ultimate market for the goods you make or sell? That is the question every business man must answer. For the first time an investigator has approached an adequate answer to this question

Are we ready for a new era of Prosperity?

We can make goods more cheaply than ever before in history. We can supply more human needs. Can we sell the commodities we produce? Only by developing as exact a knowledge of people's desires and abilities to consume as we have of the technique of production.

Here is the pioneer step in the scientific study of consumption. Here is the result of seven years of research into the nature and habits of all kinds of consumers. Here is an approach to the solution of the most vital business problem of our time: What are the limits of volume consumption?

This is no dull treatise, bristling with tables and footnotes. Written in the same forceful, inviting manner that has made Professor Pitkin's other books—THE ART OF LEARNING, LIFE BEGINS AT FORTY and others—among the most popular of their kind, it presents information of immense value in highly readable form. THE CONSUMER is a book which carries a direct message to the marketing analyst, the sales or advertising executive, the manufacturer—to every one who makes or sells any commodity.

What do people buy?
Why do they buy it?
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if they could?

This book tells you

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Human nature, not economics.

The world is entering upon a new era—new as to producing and as to consuming. The outlook, the tastes and the spending proclivities of people have been profoundly changed as a result of recent years. What these changes are, this book attempts to show. Naturally its findings differ greatly from many of the pretty pictures drawn before the fall of 1929.

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The World in 1932—and 1933

There have been a lot of setbacks and disappointments abroad, but a net gain in sentiment if not in actual business. Significant highlights of the year that's ending —and what to watch in the next one.

World business at the end of 1932 is only a little better than it was a year ago. A lot of indicators are lower now than they were last December. The encouraging fact is that they are generally more resistant. Some of them are only slightly above the year's lows. They have been sticking there for a long enough time, however, for the critical executive to speculate that the "outlook is better." But he's still not at all enthusiastic about it.

There are a few highlights which he is inclined to linger over when reviewing 1932. In the first place, Germany has not collapsed. In fact, the country is relatively way up the scale this year. The Hitler scare has passed. The Bruening economies have been supplemented by the von Papen revival program. Von Schleicher is at the helm. Reparations are virtually ended. The country is still far from being in a sound position. But the prospects are infinitely brighter.

With one exception, tariffs have increased throughout the year. This is one of the worst aspects of the current economic picture. The exception, if it can be counted as such, is the Ottawa project for empire trade on a grand scale. The "if" is a big one. No one is very enthusiastic about the plan. Britain had to create a tariff to make it possible. Denmark and Argentina (to mention only 2 old and very good customers) are disgruntled. Britain may lose more than she gains before the plan is adjusted.

Conversion Plans

London's $7½-billion conversion on the grand scale, and the hurry-up $3-billion conversion engineered by Paris, were outstanding financial developments, and were highly successful. More conversion plans are likely to follow in 1933.

The spring run on the dollar has reversed itself. During the spring, France drew the bulk of the gold taken from this country. Since Dec. 15, the franc has been consistently weak against the dollar.

War was in the limelight in 2 areas. Japan's attack on Shanghai early in the year (following the taking of Manchuria during the previous fall) caused near complications in the International Settlement, caused property damage estimated in the millions, jumped the demand for American cotton and foreign munitions in the Far East, left the Japanese treasury in a weakened position. The yen dropped consistently until the last weeks of the year, when Tokyo's promises to control exchange gave it new strength.

Fighting in Latin America spread over half a dozen countries, caused real anxiety only in Brazil where coffee supplies were tied up. The federal government remains in control, coffee is again flowing to market in much greater than necessary volume, prices are back to normal—or even less than normal.

Nothing in the last quarter of the year caused more speculation than the American elections and the December payments on war debts. The world generally approves the advent of a Democratic administration. Its popularity will be tested when it takes up the responsibility for untangling the war debt question, which no doubt will be willed it by the present government.

Recovery Leaven

The feeling is general abroad that the year's end deserves more optimism than the first part of it drew. The undertone in most commodity and security markets is better. The economic tangle in which the world found itself in 1930 is being unraveled, though ever so slowly, and without much system.

Prospects for 1933 are brightened by several developments which may prove to be healthy recovery leaven:

(1) The Scandinavian countries and Germany are on their feet again. Sweden, for example, has pulled out from under the weight of the Kreuger collapse, is registering unmistakable signs of recovery. Denmark, despite the loss of German and British markets, has maneuvered into a place where Copenhagen is effectively dictating terms to both London and Berlin.

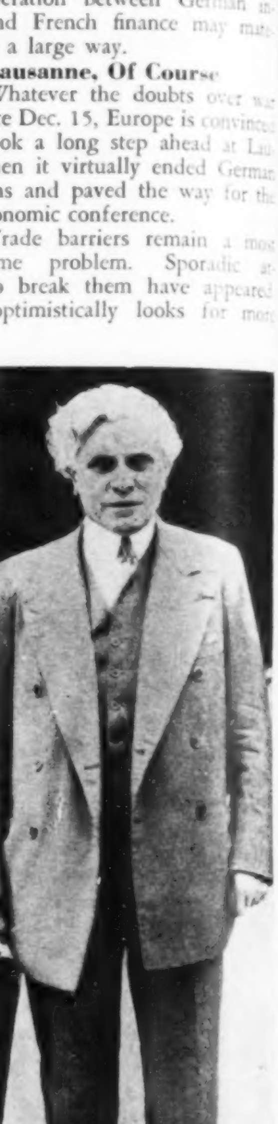
Germany is in a far more advantageous position than at the beginning of the year. The Reichsbank has improved its position. Exchange control has operated sufficiently well to keep the country in funds to meet debts not adjusted by the "standstill" or other emergency arrangements. The "reconstruction" program has brought new jobs to many who have not worked for a long time. The Reichstag has given over the reins of government to von Schleicher until late in January. Germany has probably improved more, relatively, than any other country in Europe.

(2) In the announcement of the international engineering consortia which were formed near the end of the year to carry out vast construction projects, there are 2 hopeful signs. Most important, perhaps, it signifies a new determination among leaders in industry to revive international cooperation; but also significant, it revives Franco-German cooperation, which may indicate that the long-contemplated plan for cooperation between German industry and French finance may materialize in a large way.

Lausanne, Of Course

(3) Whatever the doubts over war debts since Dec. 15, Europe is convinced that it took a long step ahead at Lausanne when it virtually ended German reparations and paved the way for the world economic conference.

(4) Trade barriers remain a most troublesome problem. Sporadic attempts to break them have appeared. Britain optimistically looks for more



Keystone

PREMIER OF FRANCE?—Joseph Paul-Boncour, who is (or was at press-time) at the head of a new French government very much like that which went out with Herriot.

trade as a result of the Ottawa accord. The so-called "Oslo convention" provides international cooperation between the Scandinavian countries, Holland, Belgium, and Luxemburg. The Danube states, when they gathered at Stresa, planned ways to help pay their debts by selling their products. Ultimate relief can come only after the other nations agree, at a world conference, to cooperate. Brazil, Argentina, and Uruguay are planning one more attempt to create something of a tariff union.

Marchers, Not Fighters

(5) In spite of the predictions that another year of depression with an unprecedented number of unemployed would inevitably lead to social disturbances, there have been little more than hunger marches in most countries. The British textile strikes involved the largest number of workers, but they are temporarily settled. German labor has successfully combated the von Papen provision for further wage cuts. Italy has carried out a vast land reclamation project which has kept men busy and now provides new homesteads for many workers.

The coming year will bring no spectacular improvement. There will be more setbacks. But economists the world over are inclined to expect marked psychological improvement based on a broadening spirit of cooperation, a new understanding of problems, a few fundamental adjustments already made.

Milestones Ahead

Looking ahead, it seems that the following will be milestones in 1933 progress:

(1) World economic conference, and whatever it accomplishes in settling problems relating to the gold standard, international currency restrictions, tariff barriers, international debt relief.

(2) Final adjustment of war debts.

(3) National budget deficits in individual countries, and the taxes levied to cope with the problems they raise.

(4) Progress on disarmament.

(5) Settlement of, or negotiations over, the international problem in Manchuria.

(6) Any plan which may be developed to ease the financial position of the states of Central and Southeastern Europe.

(7) Progress of plans, now under way or being considered, for the regulation of production of copper, coffee, sugar, rubber, tea.

(8) Ability of Moscow to cope with a critical internal problem in the coming year; success of Soviet diplomats in dealing with Oriental problems; possible negotiations with Washington leading to recognition.

The prospects for 1933 are only slightly better than they were a year ago. But they are better.

Denmark

Copenhagen will ration 1933 foreign trade—to please the British.

Two months ago Danes lined the streets of Copenhagen to cheer the Prince of Wales when he visited the British Industries exhibit in the Danish capital.

And 2 weeks ago Britishers flocked to the dingy Liverpool street station to cheer the Danish king and queen when they arrived in London to visit at Buckingham palace.

The handful of Americans who live and trade in Denmark watch this diplomatic display without cheer.

England has long bought most of her breakfast bacon, hams and butter from the Danes. The Danes shared their orders among the Germans, British, and Americans in about that order. But the British were getting the short end of the deal.

The Ottawa conference sent a shudder down many a Danish spine. It looked as if the country's best market was gone.

Last week, the Danish Parliament ruled on 1933 foreign trade. It is going to be carefully handled. Exactly 55% of the country's imports will be rationed out. In pounds and quarts and grams, the basis for the 55% is 1931 imports.

The remaining 45% are on a free list. There's the catch, declare the Americans. It won't be free at all. It is really being set aside specially for the British—if they make a place in their market for a fixed quota of Danish butter and bacon. "Outsiders" won't have much chance at the "free" market.

German Blades Win

American started strife which caused German razor blade industry to fill its needs at home.

BERLIN—Peace reigns once more in the German razor blade industry. Razors and blades will be made at home and the industry will no longer quarrel with itself.

Strife started in 1926 when Gillette started to make razors and blades in Germany. The famed Solingen cutlery makers were successively haughty, disturbed, dismayed. Gillette swept the market, threatened to ruin their business.

Two years ago the Solingen industry—nearly 200 of the 250 independents in the famed region—got together and decided to cooperate against the foreigner. Scarcely had they organized their mass campaign when Deutsche Edelstahlwerke A. G. at Krefeld, announced that it would cooperate with

the German General Electric to make, automatically, "80,000 blades a day on a new machine," and that they would utilize "German steel" instead of imported Swedish steel which Solingen had steadily preferred.

Peace returned to the razor business only recently. Deutsche Edelstahlwerke, it seems, does not own the "automatic" process. Actually, it was invented by a Swede. Edelstahlwerke only has a license on the process for continental Europe. Solingen, meanwhile, has refused to buy Krefeld steel (and Solingen buys lots of steel for dozens of cutlery products). The deadlock brought the peace. Solingen will have the right to use the "automatic" machine in Germany, and in turn will buy Krefeld steel. German razors and German blades manufactured in Germany (but on a Swedish-invented machine) will shave German beards. Sweden will get a small royalty, will continue to supply about 5% of Germany's needs for very special steel. Before the "war," Sweden supplied well over 50% of the Solingen demand for fine steel.

Bird In Hand

Germans are finding it profitable to buy their dollar bonds in New York at depreciated prices and sell them in Berlin at the higher prices they command at home.

GERMANS speculate rightly that a bird in the hand is worth 2 in the bush. They have been applying it to their dollar bonds outstanding in foreign markets. Prices in New York, for example, have been as low as 35% of parity. Of course, these bonds aren't selling at par in Berlin, but they are commanding much higher prices than abroad. Germans still have considerable faith in the Fatherland. They have been buying in New York and reselling in Berlin. Or just sliding the bonds away in portfolios for safekeeping. Or, in the case of corporations, retiring them. Either way, they can record a profit.

Creditors in London and New York have been watching the little scheme operate and wondering if they were being gypped by the Germans or if they were perhaps being very wise to allow it to proceed.

Their reasoning was something like this: Germans—the national government, states, cities, industries, and individuals—owe them a good deal of money. More than a year ago it became evident that the Germans could not meet interest and maturities on these short-term debts. So they got together and agreed to a plan which allowed the Germans to extend the short-term debts over 6-month intervals, and to pay a part of the interest into German banks. This removed the necessity of trying to convert a too-small collection of German marks into a too-great payment in dollars, or pounds sterling, or guilders.

There was a string attached to the kindness. The creditors demanded that the Reichsbank portion out what little exchange became available according to an impartial and pre-arranged schedule. The Reichsbank went so far as to establish a complete control over all foreign exchange. Exporters, for example, were supposed to report each outgoing shipment, and turn over to the Reichsbank the foreign exchange which it brought. With this exchange, the Reichsbank managed to meet the year's absolutely necessary obligations abroad, gave the exporters the equivalent in marks.

But there has been a leak in the carefully prescribed flow of foreign exchange, and some of it has gone to New York, a little possibly to London, to buy German bonds at current low prices. London first opened the discussion of the whole thing with a lengthy article in the very highly respected *Economist*. Then Wall Street took up the question. Estimates of the value of the bonds purchased by Germans in the last year run as high as $750 millions. Of course, at the depreciated values at which they have been quoted, they cost Germans little more than $250 millions. The conservatives think $175 millions a more likely estimate. The important thing is that a lot of dollar exchange has been used by Germans to buy back their bonds.

There are 2 schools of opinion. One group is inclined to accuse the Germans of evading their responsibility to creditors to whom is due much more money than they are now getting out of Germany, but who agreed to the "standstill" arrangement because they believed Germany's pleas of inability to convert payments into dollars.

The other group looks on the scheme favorably. It views the plan hopefully because it sees Germany's future position as creditor very much strengthened when these dollar bonds are out of the way, when the amount that must be sent out of the country periodically for interest is reduced by their possession within Germany.

So long as German bonds are quoted at present low prices, the trend is likely to continue.

Business Abroad

World faces 1933 slightly more hopefully. Europe, in general, is encouraged by recent gains in Germany and Scandinavia, by better-than-expected year-end foreign orders. France is not sanguine. The Orient is busy, Japan perhaps only superficially.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Christmas has often been merrier in Europe than it is this year. Compared with 1931, however, the average business man is more cheerful. He has not yet dug himself out of trouble but he sees light ahead.

Germans are probably more optimistic than any other Europeans this year. Their political situation is less tense and their recovery seems to have made greater gains than have the efforts in most other countries. As the year ends, they are particularly happy over the volume of foreign trade which is holding up remarkably well in the face of innumerable barriers.

Frenchmen are much less optimistic. Business all the way around is slack with the possible exception of textiles. National finances are in a critical state. And the new government has only one chance in 10 to last more than a very short time.

Another Loan

Britain is slightly cheered by general year-end sentiment, but is too wise to think that there are no serious problems ahead. There is slight industrial improvement, and labor is momentarily quiet. But the new demand for a loan to Austria has revived the dread question of Central Europe's wobbly finances.

Without doubt, every country is concerned with 3 major problems above all others, is eager to see what 1933 will bring in the way of a solution. The most trying is the question of trade barriers. Almost no headway was made anywhere in 1932 in removing or lowering them. The world economic conference is expected to deal with them, if and when it is held.

The second problem is war debts. Two groups of debtors await action by the United States—one group of defaulters, the other a group of states that made the December payment.

The third problem is a part of the first two. It is the question of foreign exchange restrictions, in themselves a barrier to international trade, and, under the worrisome regime of debts, very much exaggerated.

Commodities are irregular as the year ends. Copper is under the shadow of questionable international action to continue restricted production. Sugar still depends on widespread cooperation in restricted marketing—always a worry. Rubber and tea interests are talking restriction again. It is doubtful if any of these plans will have any great effect in raising commodity prices in the coming year.

The strong trend toward socialistic governments in a half dozen countries will influence the tax trend. With budgets almost universally badly out of balance, it will be interesting to see where the ax falls hardest, where the new levies are heaviest.

Europe so far is viewing calmly the year-end flow of gold to New York. Few expect it to become dangerous, though the financial vulnerability of France, storehouse of the world's second largest gold reserve, is generally admitted.

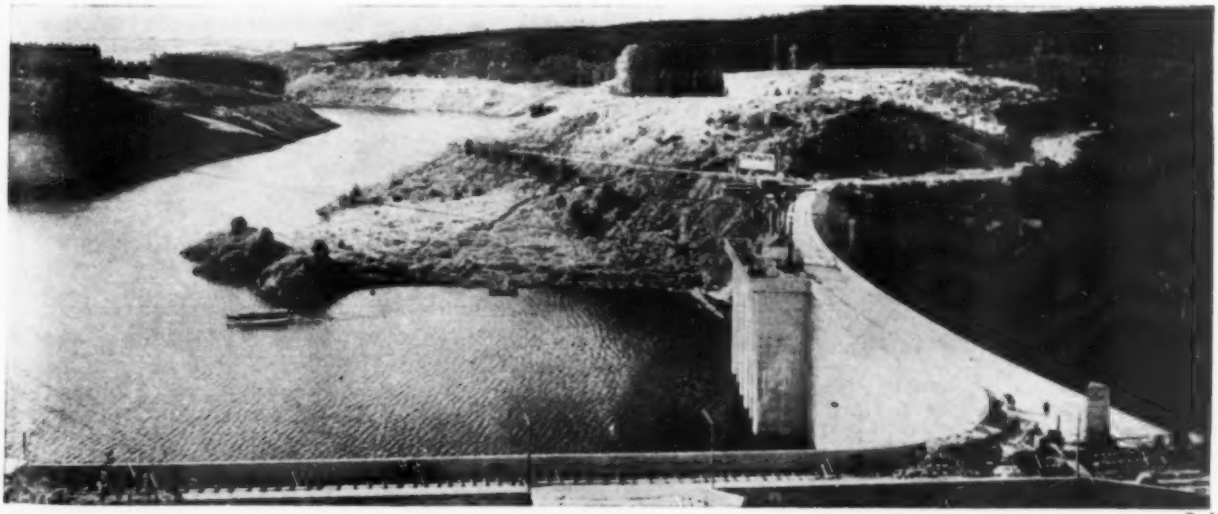
A good deal of interest will center on the Soviet Union next year. A Franco-Soviet trade treaty is in prospect; important payments are due the Germans; Britain will negotiate a new trade treaty with Moscow.

France

Business watches the new government attack 2 vital problems—war debts, and the national deficit. Industry faces a gloomy Christmas.

PARIS (*Wireless*)—France comes to the end of the year without a very bright economic prospect ahead. Christmas, however, has brought with it a new cabinet and at least a fair prospect that it will carry over into the new year.

The Paul-Boncour cabinet, as a matter of fact, is virtually a continuation of the old Herriot cabinet. As far as foreign affairs are concerned, policy is unchanged. Financially, there is a difference. Cheron has been made Minister of Finance. To Frenchmen, this is significant. They remember him as



Paul

DAMMED SAALE—Germany's newest, biggest reservoir and power dam across the valley of the Saale near Saalfeld in Thuringia was dedicated Dec. 2. It has been under construction more than 6 years, will store 215 million cubic meters of water, will generate power for the vast Thuringian industrial region, whence comes toys and lead pencils for American children.

the "miser" who once left the treasury with a secret balance of 19 billion francs. He is one of the old Poincaré school, and was Tardieu's Finance Minister as recently as 1930. He is opposed to the present system of national accounting, wants to prevent parliament from being able to gloze a deficit with fictitious balancing of the books. And (very important), he favors treasury economies before tax increases.

The new government is born in weakness, however, for it depends on the coalition of the Socialists and the Radicals for its support. How long the Socialists will continue to back a laissez faire policy for the sake of keeping the government intact is the real question of the hour.

Paul-Boncour has 2 immediate problems confronting him: war debts, and the budget. Sentiment is unanimously against payment of the war debts unless France gets the same deal from Washington that other nations are to get. On the budget question, no 2 parties seem able to agree at one time on a method of procedure. It is a danger point.

The year is ending with gloomy industrial reports, except for the textile plants in northern France which continue to flourish on increasing business. Steel is slightly more hopeful this week, and there is hope that the cartel will once more begin to function. The gold flow to New York is not yet dangerous. Nevertheless, Paris is perturbed over the weakness of the franc.

Great Britain

British industry reports specific year-end gains. Textiles plan to combat Japanese competition. New steel mill planned.

LONDON (*Cable*)—The British are fairly cheerful, the undertone on the markets is firm, the outlook is not too bad—but anything can happen. That is about what the British think of business at the end of the year.

Payment of the war debt instalment has helped steady the markets and exchange. Christmas trade, however, is well below normal. More than the depression is to blame. Britishers, for the second year, are confronted with the necessity of paying three-quarters of their income tax on Jan. 1. It puts a crimp in Christmas lavishness. Also, prices are beginning to show the effect of tariffs, are going up. If food prices mount much, there will be a storm of protest from the public. With meat quotas coming, this seems inevitable.

Industrially, the coal interests are slightly cheered by better year-end business. Continental orders, particularly, are improving. Headquarters for the industry reports that the outlook is the best in 2 years.

The Lancashire Steel Corp., formed in 1930 by the Bank of England, has made a new move in keeping with the demands of the Tariff Commission which ordered the steel industry to rationalize promptly, or to expect no help from the government in the way of tariffs. The announcement is made this week that the Lancashire company has acquired the White Cross Co., at Warrington, which will be made the foundation for a new attempt to capture the home market for steel wire and rods produced on a "continuous process mass basis." More than $10 millions of capital is involved. This follows the recent announcement that Stewarts & Lloyds will henceforth make steel tubes by the most approved Bessemer process.

And, finally, the cotton industry has formed an "action committee" to coordinate the efforts of all branches of the textile industry to combat Japanese and other undercutting competition on world markets.

Germany

Business looks forward to continuing industrial recovery in 1933. Year-end reports best in some years. Christmas trade larger.

BERLIN (*Cable*)—Germans are really quite cheerful over the prospects for 1933. The year just ending has been one of the most hectic the country has ever experienced, but the Christmas political truce has given a chance to appraise the current position and speculate over the prospects for next year, which are increasingly brighter.

Christmas trade is better than it has been in years. Everywhere—Hamburg, Berlin, Munich—people are buying. Industrial indicators also are helping boost sentiment. Coal, steel, electric current, and carloadings are all up. Hamburg particularly is affected by the revival of shipping. This gradual recovery was helped by the demand for German products.

Reports from abroad, particularly London, that Germans have been buying up their foreign currency bonds in large volume are vigorously denied in Germany. A part of the business press is inclined to credit the recent rise in prices on German bonds to speculative buying by foreigners themselves. Another group is willing to admit that Germans have been doing a certain amount of buying. Certainly the exchange is easing. One decisive factor is the return to Germany of homesick capital following the better reports from German business.

Far East

Political uncertainty continues but China goes ahead with industrialization and Japan rushes orders for industrial equipment.

THERE is almost as much uncertainty over what is going to happen next in the Far East as there was last year-end. But there is no uncertainty as to what Japan hopes to accomplish in the Orient.

Manchukuo is very much a puppet state. Police control of the area is weak except in the areas dominated by the South Manchuria Railway. A government is set up at Changchun, north of Mukden, but there is said to be at least one Japanese adviser for each native official. Relations with China are drifting apart as tariffs begin to function and postal routine is weaned from Nanking's control. Trade with Japan is growing. Japanese industry is establishing itself in the country. Japanese-controlled textile and flour mills are reported moving in from Chinese cities.

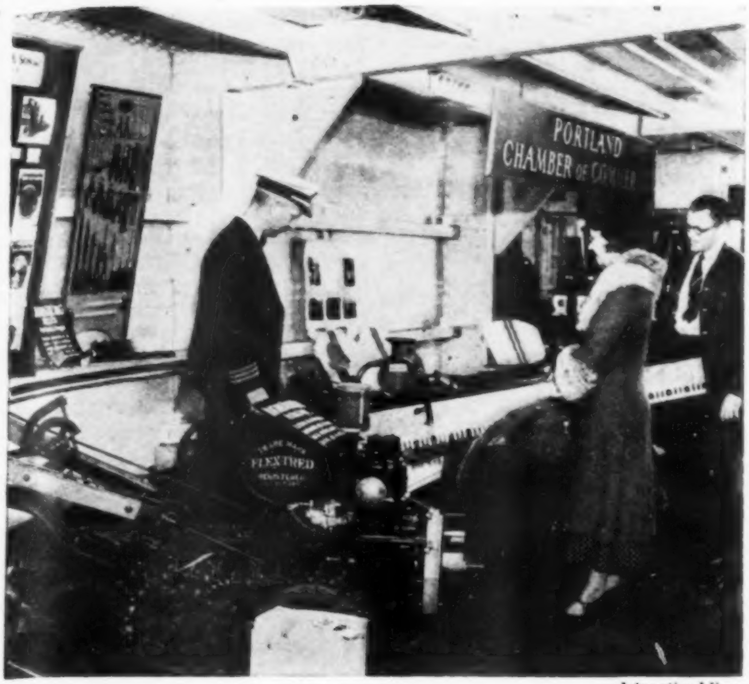
China is not reconciled to the loss of the region. The renewal of diplomatic relations with Soviet Russia is the newest complicating factor. Japan is annoyed. China and Russia are pleased. The rest of the world is awaiting the next move. International complications may follow.

Despite a year of struggling, first against the Japanese at Shanghai and later against native communist armies, China is making some progress at industrialization, especially in the Yangtze valley regions and in the south. Textile mills at interior Yangtze points are in a particularly favored position. Because of high transportation costs and heavy taxes being imposed on goods in transit, industrial plants that operate within a short market radius are favored.

China Is Building

Road construction continues throughout the country, and more cities have undertaken remodeling and reconstruction than ever before. At Canton, the Pearl River bridge is nearing completion; work has started on a bridge connecting the Samshui line with the Canton-Hankow railway; and plans have been announced for a third bridge. The Canton Municipal Council is planning the installation of an electric trolley system, for which 40 trackless trolley busses have been ordered.

In the north, the Peiping area is relieved that Soviet Russia and China are again friendly. There has for some time been a growing dread that the Japanese would push south of the Great Wall from Manchuria and attack the 2 great northern industrial cities of Peiping and Tientsin. The increase by approximately 3000 subscribers to the Peiping telephone system indicates considerable trade revival which has come with the



International News

SHOW **BOAT—West Coast Chambers of Commerce believe in action. They want a bigger slice of Latin American business. To advertise their products, they have fitted up a "show boat" with exhibits of Western manufactures, sent it to visit 13 ports in southern countries.**

fall and winter trade. Imports of Soviet petroleum are expanding considerably. Most of them are coming in through the former German port of Tsingtao, in Shangtung.

Japan ends the year with considerable industrial revival, but a less favorable financial situation. Outsiders are inclined to claim that the industrial recovery is artificial and due only to military orders and preliminary orders for industrial equipment to be used in Manchuria. These last orders are viewed with suspicion because they indicate to many business men that Japan will gobble up all the business that Manchuria formerly shared among all nationals. Another group sees the new activity entirely Japan-made and unlikely to yield any return for some time. They question Japan's ability to keep liquid until profits begin to come in.

Despite the toboggan slide of the yen during the year until it is worth little more than 40% of its face value, Japan has continued to buy in volume on the American market. Cotton has flowed steadily to the Orient. Almost at the end of the year, the machine tool industry reported an order from the great Mitsui company for more than $200,000 of machine tools. Most of the business went to the Cincinnati region. It is the largest single order placed since the Amtorg Trading Corp. bought heavily for Moscow more than a year ago.

Latin America

Year-end brings few significant changes in relative position of Latin American countries. Chile slipped; Brazil may run into trouble over coffee; Argentina has not yet defaulted.

LATIN AMERICA has been the scene of a good deal of excitement in the last year, but the year-end is singularly quiet. Probably it is only a lull. At least the outlook is clouded by ominous signs.

The Brazilian revolution is the outstanding event of the year. Though it was decisive for the federal government, few real students of Brazilian events feel that the rebel São Paulo is completely pacified. As for coffee, which entered the picture because the revolt tied up shipments from the great coffee capital for more than 3 months and threatened a famine on the European and American markets, its position is again normal. Stocks are large. Control is more effective than many thought possible. But prices are holding above 10¢ with less and less resistance. It is not to be forgotten that Colombia and Central America are ready to ship plenty of coffee (mild) to New York if Brazil works the restriction scheme too drastically. And with the prices of Colombian milds down almost to the levels which Brazilian coffee commands, the competition will be keener.

Chile ends the year in a distinctly weaker position. Government upsets continued for months. Finances are in disorder. Copper, one of 2 main sources of revenue, is suffering from low prices and uncertainty within the world industry concerning future marketing and price plans. Nitrate, greatest industry in Chile, is suffering from the controversy between the Cosach officials and the Chilean government. Markets for fertilizers are shot. The prospect for Chilean nitrate is not good. Only the relative political calm in recent weeks has brightened the outlook.

Argentine Is Bright Spot

Argentina is in relatively a favorable position. The country has not yet defaulted on foreign obligations, though important maturities are just ahead and are causing bankers some concern. The country has succeeded in maintaining a favorable balance of trade, though benefits have been dwarfed by low prices for farm commodities. Britain's surrender to tariffs and the Ottawa plan for empire preference hit Argentina as much as any other outside country. Negotiations with London for the country's trade future will be an important feature of early 1933.

Uruguay has been among the leaders in the Latin countries in organizing foreign exchange control on a systematic basis. Economic conditions are only fair, though the country is in a relatively good position to take advantage of any world improvement.

Colombia, after making progress with financial adjustment, suffered from moratoria and finally from the threat of hostilities with Peru. Colombia is still in better than average position to benefit from any material gain in world economy, though much may depend on the trend of events at the head of the Amazon where Peruvians and Colombians are sending small detachments, and where Brazil is concentrating airplanes and gunboats as a precautionary measure.

Bolivia and Paraguay have not yet settled the dispute over the Chaco area. Outsiders feel that "third parties" are probably involved.

Nationalism Is Spreading

Mexico has made strides ahead with the recently expanding plan for self-development. Foreign control of industry has been threatened by jingoist nationalism in several states. Banking reform has made some progress. Road building is likely to continue in 1933, despite the general depression.

Several countries in Latin America will benefit from any stabilizing program which world copper interests may develop. Sugar can improve its position if the dominant world producers continue their cooperative plan. Brazil's coffee scheme will be watched carefully. There is less confidence in its success.

The Figures of the Week

Business activity is assuming a somewhat heavy tone as the year draws to a close. Motor manufacturers are the outstanding exception to the general slowing down, all being set on capturing what there is of the 1933 market. Construction declined sharply. Cold weather stimulated electric power consumption. Carloadings and check payments declined.

WHILE the best support of the steel industry continues to come from the motor producers, the volume is not sufficient to prevent a slipping of the operating rate. Nor does it appear that a further sagging can be avoided during the holiday week as many plants plan to close for a week to 10 days, and in some instances longer. So a repetition of the summer low rate becomes inevitable.

Detroit, for the present, is the busiest industrial center in the country as Ford gets into 1933 production. Orders for steel for 40,000 cars have been placed by Ford, keeping the local steel mills operating at capacity, at least for a brief period. Chevrolet is planning to produce at least as many cars in January as in December, approximately 55,000, so that the prospects for a total output of more than the 100,000 units forecast for December appear bright.

Competition in the low priced motor field was further aggravated this week by the announcement by Chrysler of a second price cut in the Plymouth line within a month. The new price list carries two of Plymouth's three best selling models below the Chevrolet. It is reported that Chevrolet intends to stick to its recently announced price list. Competition is now being looked for in lines yet to be announced. All of which augurs ill for the steel industry, which will not escape the necessity of bearing a good share of the cuts.

November car sales based on 30 states indicate a little better showing than fewer states did a week ago. The outlook now is for sales of 41,900 passenger cars and 10,100 commercial cars, a decline of slightly more than 32% from October in both instances.

Tin plate activity has lessened somewhat for the country as a whole, being estimated at 35% by *Iron Age*, though some localities are doing better than that. Contracts for 1933 are not coming in very rapidly. Prices are holding firmer in this line than in other steel products where the pernicious habit of concessions is still apparent in spite of all the protests of steel leaders.

Some Railroad Orders

Rail business remains small stuff at best, with prospects for better volume in the spring months, particularly if carloadings show fair seasonal expansion. Santa Fe has distributed its 27,000-ton order among 4 makers. Wheeling & Lake Erie has released the remaining 50 freight cars of an earlier commitment of 100. New York Central has released 7,500 tons against orders; Illinois Central 2,500 tons, and the New Haven 1,000 tons of rails. *Railway Age* estimates that railroad purchases of equipment, fuel, materials, and supplies will total but 650 millions in 1932 against the 5-year average of the period 1925-1929 of $2.3 billions.

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
	*52.4	†53.4	64.6	
PRODUCTION				
Steel Ingot Operation (% of capacity)	15	16	24	54
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,309	$4,291	$6,417	$14,505
Bituminous Coal (daily average, 1,000 tons)	*1,129	†1,125	1,215	1,632
Electric Power (millions K. W. H.)	1,563	1,519	1,676	1,705
TRADE				
Total Carloadings (daily average, 1,000 cars)	87	91	102	137
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	56	59	66	86
Check Payments (outside N. Y. City, millions)	$2,444	$2,855	$3,973	$5,566
Money in Circulation (daily average, millions)	$5,683	$5,682	$5,599	$5,123
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.42	$.43	$.53	$.97
Cotton (middling, New York, lb.)	$.061	$.059	$.063	$.147
Iron and Steel (STEEL composite, ton)	$28.91	$28.91	$30.28	$33.83
Copper (electrolytic, f.o.b. refinery, lb.)	$.048	$.048	$.069	$.128
All Commodities (Fisher's Index, 1926=100)	58.7	58.7	67.0	86.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,195	$2,202	$1,949	$1,681
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,839	$18,841	$20,963	$22,065
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,009	$6,057	$7,471	$8,642
Security Loans, Federal Reserve reporting member banks (millions)	$4,322	$4,307	$5,741	$7,031
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$393	$392	$662	$2,945
Stock Prices (average 100 stocks, Herald-Tribune)	$84.34	$84.68	$91.65	$142.13
Bond Prices (Dow, Jones, average 40 bonds)	$77.38	$77.31	$75.71	$91.75
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4.1%
Interest Rates—Prime Commercial Paper (4-6 months)	1¼-1½%	1¼-1½%	3¾-4%	4.2%
Business Failures (Dun, number)	590	588	667	553

*Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Steel reports heavy buying of machine equipment from Japanese sources, amounting to more than $200,000. This is the largest order of its kind since those placed by the Amtorg Trading Co. for Russia. *Iron Age* reports pending buying of machine tools within the next 2 months of some $400,000, largely for automobile manufacturers.

Structural steel lettings have slumped below 10,000 tons in the past week, according to *Iron Age*. And if the R.F.C. becomes more rigid in its loan requirements, the steel industry will lose support from these quarters.

Construction Declines

December reveals a sharp downward trend in construction particularly in the fields of residential and public works activity. The former awards totaled but $7.8 millions which is a decline of almost 25% from the daily average rate of November, and a 57% drop from a year ago.

Public works and utilities contracts continue to be most prominent, but even here the rate has slumped severely under the preceding month by more than 36%. Awards were valued at $18.7 millions for the first half of December. Compared with 1931, the decline averages 26%.

Non-residential awards are holding up remarkably well, showing but a 9.4% drop from the daily rate of November. Awards during the first 13 business days of the current month are nearly half of those recorded in the preceding month, or $15.6 millions.

The sum total of these groups equals more than $42.1 millions. The adjusted index for the period ending Dec. 2 is 29% and for the following week of Dec. 9, 28% of normal. The daily average rate of all awards runs 26% under November and 38.4% under 1931.

Bituminous coal production during the week ending Dec. 10 gained slightly over the preceding week, but anthracite output lost ground by as much as 25%, falling below last year's level for the first time since early November. Employment in the anthracite mines during November declined almost 2%, while wage payments fell off 24%. The sharper decline in payrolls than employment largely reflects the influence of holidays.

The spurt in electric power production during the week of Dec. 17 is laid to the general wave of cold weather that swept the country. Since the seasonal expansion that occurred between comparable weeks of 1931 was much more moderate, the spread from a year ago was reduced from 9.1% to 6.7%. Its industrial significance must be minimized.

Freight and Ore Carloadings

The average decline in freight carloadings during the week ending Dec. 10 was less than 5%. The sharpest decline of over 12% took place in grain products, followed by a 10% drop in live stock and an 8% drop in miscellaneous freight. Ore loadings actually gained sharply during the week, but the number of cars concerned is relatively small. The adjusted index remains unchanged at 52% of normal.

Predictions of freight movement in the Atlantic states during the first quarter of 1933 are for a 1.9% decline from the 1932 level. While this per cent is small, the very low level prevailing in 1932 reduces what faint optimism one might glean from the figures. Moreover, the estimators have been notoriously over-optimistic in their previous reports.

Check payments declined more sharply outside of New York City than in it, lowering the index based on the 140 cities to 54% of normal. New York debits were off less than 6%; the 140 cities showed a drop of more than 14%.

Currency circulation gained but $1 million during the week ending Dec. 17, which is contrary to the usual strong seasonal upward trend. The slow expansion of these figures adds confirmation to the reports of sluggish Christmas trade.

Bank Suspensions

Bank suspensions for the week ended Dec. 15 numbered 13, bringing the total for the current month to 59, according to the *American Banker*. November had 90 closings. In addition to the week's suspensions, bank examiners in Nevada took over 13 banks of the Wingfield chain system which suspended business Nov. 1.

Commodity prices turned irregular this week, with few groups able to show a rise. Modest gains were reported in tin, silver, corn, cotton, rubber. Heaviness characterized coffee, sugar, wheat, silk, hides, cattle and hogs. Consumption of foreign and domestic cotton by American mills in November reached a new high for the year, exceeding the same months of the past 2 years. Carded cotton cloth data for November show a further shrinkage in output, a rise in sales and stocks, and a falling off in shipments, as compared with October.

The Financial Markets

There is little sign of important year-end changes in the financial picture. Money remains abnormally easy as member bank credit contraction, slack currency demand and gold imports continue. Security markets show persistent steadiness in face of uncertain 1933 prospects.

Money

MONEY markets and banking conditions present a picture of complete and perhaps unprecedented stagnation as the year draws to a close. Money rates, as measured by the yield on all short-term uses, have apparently reached a vanishing point. It is hardly conceivable that they can be further depressed even though the pressure of excess reserves of member banks increases after the turn of the year. On the other hand, there is certainly nothing in sight that would warrant any expectation of tighter money for an indefinite time.

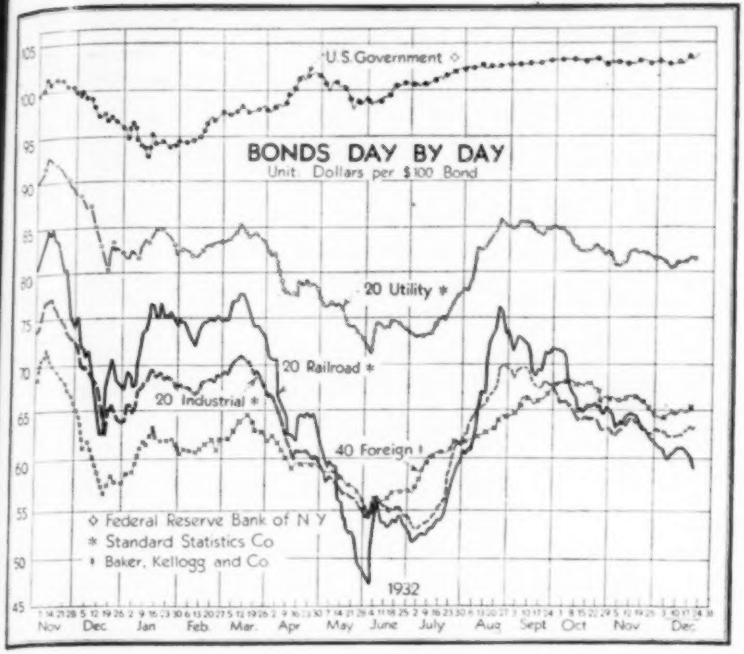
Week-to-week statements of the member banks show no significant changes except the steady contraction of commercial loans. Total deposits are well sustained, even among the member banks outside New York; and for all the weekly reporting member banks deposits will end the year but little below the start. Total loans and investments, however, will show a decline of about $1½ billions, all in the loan account, with security loans and other loans down about $1⅓ billions each, offset by an increase of about the same amount in government security holdings, other investments remaining fairly steady.

This discrepancy between loans and investments and deposits, roughly about $1½ billions excess of deposits over total loans and investments, represents approximately the amount of money put into the market through open-market purchases of government securities by the Reserve Banks early this year, plus new national bank note issues. In other words, the additional funds put into the market by Reserve open-market operations have simply stuck there. The only noticeable effect, apart from depressing money rates to minimum levels, has been to keep the total loans and investments of the larger member banks fairly steady since the middle of the year. This has been the result of additional investments in government securities by the member banks. Loans have contracted almost without interruption and the member banks have reduced their borrowings from the Reserve by about $400 millions.

Currency in circulation will end the year, like our gold stocks, at almost exactly the same level as at the beginning. The year-end holiday increase in currency outstanding is less than usual, and probably the return after the turn of the year will also be less than usual. But undoubtedly there will be some increase in excess reserves of member banks, now above half a billion, early next year, as a result of this factor, and of gold imports.

Gold stocks continue steadily to increase, with the French franc at the gold export point during most of the week since the debt default. The long-expected outflow of gold from France has apparently started, and the debt default was a sort of signal.

Sterling has been strong since the British debt payment, showing a total rise of nearly 20¢ from the extreme low to the recent week. Shipments of British gold on debt account have begun. Incidentally, the British payment in gold, arranged by bookkeeping transfers well advertised in the press, was



apparently a dramatic gesture to drive home the absurdities of the debt situation; but it cost Britain about $3 millions more than she need have paid if she had bought Treasury securities at a discount and turned over the instalment in that form, as she was privileged to do, and as she has usually done.

Bonds

The bond market continues to show the steady tone that has been characteristic of the securities markets as a whole in recent weeks. Despite the slow loss of ground from the high levels for the year reached in August, the average price of high-grade bonds will probably end the year about where it began, after having endured one of the most drastic collapses in the record, from March to June.

In the past week the domestic governments and the foreign groups have shown most conspicuous strength. The average of outstanding Treasury issues has held around the highs for the year. This in spite of rapidly evaporating prospects for any budget-balancing action in the current Congressional session, and practically complete disappearance of any prospects for foreign debt payments next year. The latter factor seems to have strengthened confidence in foreign bonds, though the apparent success of Germany in maintaining her export surplus in recent months has helped.

The new issue market has been marked mainly by active bidding and very low rates on a few attractive state and municipal loans.

Stocks

Stock trading has continued in the extraordinary state of stagnation that has prevailed during most of the last quarter of the year, with the usual daily turnover below the half-million share line that represents the minimum necessary to keep the tickers from getting rusty. Despite the dullness of the market, prices have remained fairly steady. The year-end will probably show almost no net change during the last quarter, and a level only slightly below that of the year before.

In order to appreciate the possible significance of this stability it is necessary to recall the succession of disturbing events to which it has been subjected during the past 3 months, from the presidential campaign to the default of foreign debtors. This would seem pretty impressive evidence of a sold-out condition of the market and of a stalemate in market sentiment.

On the basis of this picture some market observers expect a fairly vigorous bull exhibition early next year, in anticipation of spring business improvement. The sensitiveness of the market during the past week to anxieties about earnings or dividend prospects in the case of U. S. Steel and A.T.&T. may indicate, however, that it will have to reckon with considerable discouragement over sour earnings reports covering 1932 experience in the next few months. This may put a damper on bullish enthusiasm, though it is clear that the market is becoming increasingly inclined to distinguish between special situations and general prospects.

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DECEMBER 28, 1932

Scrappy New Year To You

THIS is the soothsayers' season, you see, when miles of typewriter ribbon are wearily unwound and acres of virgin forest are wantonly laid waste to tell the waiting world what happened last year and what will happen next. So let us also say a little sooth amongst ourselves.

Some of the most celebrated seers have already seen, as in a glass, darkly, and spoken as with a lemon drop sourly about the rather punkish prospects for 1933, while Leonard Ayres, the Cleveland colonel, has courted economic courtmartial by bluntly suggesting that Old General Business will probably be as much on the blink next year as this.

Well, all honor to the oracles, who have had some mighty uncomfortable experiences in prophecy since 1928 and may be wrong again. As for us, we shall see no more reason for believing that business is bound to be bad next year than that is is going to be good, until we know what business men are going to think about it and how they are going to behave. We have said many times in these bad-mannered pages that it doesn't matter much any more whether or not Old General Business sulks in his tent because he is mad at the Congressional war college in Washington, jiggered by jittery news from Germany, bulldozed by bulletins from Britain, or downcast by communiqués from France. After all, he is just a straw-man dressed up in gold braid, and he is not going to win any battles anyway.

We still insist that this prolonged scrap to make America safe for prosperity will be won only by the doughboys of business who are willing to go out into the economic no-man's land of today and take the dugouts of depression one by one with their bare hands and their unabashed brains. What we need at this stage of the campaign for recovery is to induce in a few squads of our industrial devil-dogs some of that scrappy spirit that has always taken the American standard of living over the top in the past.

To us it is plain as a pikestaff that we have all the ammunition, artillery, and equipment for prosperity in this country, from the Big Berthas of business management down to the doughnuts and coffee of colossal consumer demand.

Of course we let our politicians badly muddle our campaign plans, and have neglected our rear-line defenses on the farm, and unnecessarily alienated some of our ultimate allies abroad. It is only too true that American business cannot be prosperous in a world that is broke and with a rural population that is ruined by disastrously depressed prices. These errors of strategy are not irreparable, but it is folly for the doughboys of business in the front line trenches to try to remedy the mistakes of the field marshals of finance or the general staff of political stuffed shirts or to mark time in no-man's land till they are rectified. We can best compensate for them and for the delay in recovery they have caused by quickly and courageously coming to grips with the enemy that is in front of our nose (or sometimes in back of it) in that sector of the battlefront in which our own little barbed-wire entanglement of business lies—an enemy that is ambushed on every hand in the obsolescence of our equipment and methods, entrenched in the dugouts of dead ideas.

In the battles of business as in all others, victory depends not merely on the discipline of the mass, the patriotism of the group, and the loyalty and vision of the leaders, but also ultimately upon the energy, intelligence, and intrepid enterprise of the individual. In our opinion we have reached that stage of the struggle where recovery requires that each and every one of us has to spit on his hands, grit his teeth, and sail gaily into the tasks and the troubles of 1933 as though it were going to be a perfectly swell scrap—which it is.

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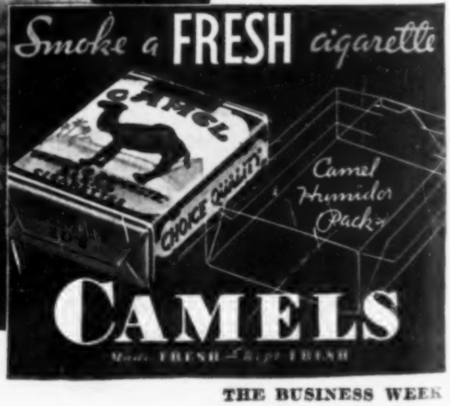

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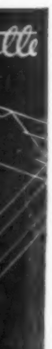

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